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17	☐	☐	US 20010029477	20011011	26	Method for mortgage and closed end loan portfolio	705/36	705/38		Freeman, Charles J. et al.	☑	☐	☐	☐	☐	☐	☐	US
18	☐	☐	US 6249775 B1	20010619	26	Method for mortgage and closed end loan portfolio	705/36	705/35; 705/38;		Freeman, Charles J. et al.	☑	☐	☐	☐	☐	☐	☐	US
19	☐	☐	US 6233566 B1	20010515	48	System, method and computer program product	705/37	705/36; 705/38		Levine, David A. et al.	☑	☐	☐	☐	☐	☐	☐	US
20	☐	☑	US 6088686 A	20000711	82	System and method to performing on-line credit	705/38	235/375; 235/379;		Walker, Darcy et al.	☑	☐	☐	☐	☐	☐	☐	US
21	☐	☑	US 5940812 A	19990817	22	Apparatus and method for automatically matching a	705/38			Tengel, Cary G. et al.	☑	☐	☐	☐	☐	☐	☐	US

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Business Wire
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Internet Mortgage Lenders Take Advantage of Contour Software's Complete Lending Technologies

Business Editors & Financial/Technology Writers. **Business Wire**. New York: May 8, 1998. pg. 1

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Abstract (Article Summary)

SILICON VALLEY, Calif.--(BUSINESS WIRE)--May 8, 1998--Contour Software, a Silicon Valley, California-based provider of mortgage loan software systems for the financial industry, announced today the use of its Web design services by IMF Loans, Inc. and loan automation software by E-Loan, Inc.

Based in San Jose, Calif., IMF Loans, Inc. is a mortgage lender serving the state. IMF's Web site (www.imfloans.com), designed and maintained by Contour **Internet** Services (CIS), is currently taking nearly 200 **online** mortgage applications per week. "Since our Web site went live on August 29 of last year, we've been receiving between 75 and 200 **online** applications per week," said Bruce Eisenberg, President of IMF Loans, Inc. "None of this response would have been possible without the technology and experience that Contour **Internet** Services brought us."

Potential borrowers can visit the IMF Loans Web site and complete a **mortgage application** using Contour's Secure URLA(TM) (**Uniform** Residential **Loan Application**). The URLA is a form that all homebuyers are required to complete before financing a home. Once the borrower enters the necessary data at the IMF Loans site, it is then encrypted, and the loan application is automatically imported into Contour's loan processing software, The Loan Handler(TM). Since there is no re-entering of data, IMF Loans staff also uses Contour's The Loan Tracker(TM) to track the loan, produce reports and check on the status of the loan.

Full Text (1183 words)

SILICON VALLEY, Calif.--(BUSINESS WIRE)--May 8, 1998--Contour Software, a Silicon Valley, California-based provider of mortgage loan software systems for the financial industry, announced today the use of its Web design services by IMF Loans, Inc. and loan automation software by E-Loan, Inc.

These two companies represent some of the major **Internet** mortgage lenders in the country. Contour Software offers lenders everything from Web page design and maintenance to back office loan processing and tracking.

"The demand for **Internet**-based mortgage origination tools and services has exploded in the last six months. To take advantage of this growth, we've sought to build the most sophisticated front end and back end solutions for **Internet**-based mortgage lenders," said Scott Cooley. "It's no coincidence that the best mortgage origination companies on the **Internet** today have chosen our products and services to help them build a whole new origination avenue." IMF Loans, Inc.

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"Consumers just don't come to a Web site by themselves; they have to be drawn to it," commented Jan Pasternak, COO of IMF Loans, Inc. "Contour's understanding of this concept has helped make our Web site the success that it is today."

Although it currently serves only the state of California, IMF Loans will offer its lending products nationally next month, adding one to two states per month. The company is also working with Contour **Internet** Services to add several pages featuring strategic alliances with Realtors locally and nationwide. Additionally, IMF, working with Contour, will be offering on-line funding to mortgage brokers nationwide through its Web site.

"Contour has done more than just build us a great Web site," added Pasternak. "Through all the thought and effort put into the Web site, they've helped give our company additional credibility in an increasingly sophisticated arena. This has opened a lot of doors for us with people who might not have worked with us until they saw the degree of sophistication at our site." E-Loan

Based in Palo Alto, Calif., E-Loan is the nation's leading **Internet** mortgage service. The site offers borrowers access to wholesale lenders directly through its Web site (www.eloan.com). Although E-Loan designed and maintains its own Web site, the company does use Contour Software's The Loan Handler and The Loan Tracker for the processing and pipeline management of loans originated **online**. "Contour Software provides us not only with mortgage automation that's been proven industry-wide, but also the capability to do immediate customized programs," stated Janina Pawlowski, CEO of E-Loan.

Consumers can perform various mortgage calculations, compare lenders' products side-by-side, or complete a loan application **online** at a secure site. E-Loan offers loans from American Savings Bank, Bank United/Commonwealth Bank, CMG Mortgage Corporation, Countrywide, Flagstar, Great Western/Sierra Western, Headlands Mortgage, NationsBank Mortgage, North American Mortgage Company, Norwest Mortgage, PHH Mortgage, Principal Residential, Western Financial and World Savings.

"When an encrypted loan application comes from our site, it's translated into the Contour format, using a program that we wrote with Contour's help, and then imported directly into The Loan Handler," said Pawlowski. "There's no re-entering of any data into the Contour system. Consequently, we can go ahead and prepare the necessary documentation and get the package out to the borrower quickly."

In addition to E-Loan and IMF Loans, most other major **Internet** loan origination companies also use Contour's products and services including HomeShark, American **Internet** Mortgage, NetLoanOnline, e-Mortgage, FirstBank, AT&T FCU and Emerald Pacific Financial. About Contour's Secure URLA

Using a security protocol known as Secure Socket Layer (SSL) for data encryption, server authentication and message integrity for World Wide Web browsers and servers on the **Internet**, Contour's Secure URLA ensures that all information entered into the URLA or 1003 form is encrypted and secure.

Once encrypted, the data is converted to Contour's standard borrower file format and can then be easily imported into The Loan Handler for back office processing. The first mortgage-specific **Internet** application sold commercially to lenders, the product is supported by the 3.x+ versions of both Microsoft(R) **Internet** Explorer and Netscape's Navigator(TM). A new option available with this product provides the consumer with loan forms that include their data and can be printed directly from the web browser using Adobe(R) PDF(TM) technology. Forms other than the URLA will be introduced mid-summer. About Contour **Internet** Services

Founded in 1996, Contour **Internet** Services (www.mtgloan.com) is a division of Contour Software, Inc. With a specialized set of **Internet**-based products and services, Contour **Internet** Services designs and hosts corporate web pages for mortgage, financial and banking companies. Designed to simplify the process and decrease the time required to buy a home, The InfoMortgage Highway(TM) products and services allow lenders to successfully originate and close loans through the **Internet**.

Contour **Internet** Services received many industry accolades for the outstanding design and functionality of its Web page products in 1997. Some of these include: the **Internet** Developer of the Month Award from Best **Internet** Communications, NetGuide's Gold Award, the Top 21 of All Web Sites Award and the Real Estate Library Gold Award. Currently, Contour **Internet** Services supports 150+ mortgage companies. About Contour Software, Inc.

Founded in 1982, Contour Software offers software products for every facet of mortgage lending. The company's flagship product, The Mortgage Banking Series, is a complete line of software products for every facet of mortgage lending, from qualification to servicing. With a customer base of 7,000, Contour Software is a technology leader with the most complete line of software products and the most electronic commerce connections in the industry. Customers include mortgage bankers, mortgage brokers, credit unions, commercial banks and savings institutions. Contour has 115 employees and 30 additional sales representatives located across the nation and is a wholly owned subsidiary of First American Real Estate Information Services.

For more information, contact Scott Cooley, President, Contour Software, 700 West Hamilton, Campbell, CA, 95008-0403, call 800-CONTOUR (800-266-8687) or visit www.contoursoft.com, www.mtgloan.com, www.lenderdirectory.com or www.processloan.com. IMF Loans, Inc. Bruce Eisenberg, President or Jan Pasternak, COO (800) 675-7594 E-Loan Janina Pawlowski, CEO (650) 617-0403 janina@eloan.com or Anne Smith (408) 293-8600 asmith@pacifico.com SEQN: BW1027

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Is e-mortgage ready for takeoff?

Mike Scott. **Mortgage Banking**. Washington: Dec 1998.Vol.59, Iss. 3; pg. 64, 7 pgs

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Subjects:	Electronic banking, Mortgage backed securities, Secondary mortgage market, Future o
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Classification Codes	9190 US, 8120 Retail banking services, 5250 Telecommunications systems, 9190 US,
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Abstract (Article Summary)

In terms of available technology, the complete **online** e-mortgage - loans available directly to **borrowers** from mortgage-backed security consolidators via the World Wide Web - should be attainable soon, even if business and logistical barriers might slow its arrival. Consumers would have direct access to the secondary market and be able to sell their individual mortgage products directly into these investment pools. Market consolidators will offer this direct access by defining the pools, attracting investors, and coordinating consumer participation. The mortgage originator will play a vital role as dealmaker and controller of information quality and accuracy. Today, many consumers understand the mechanics of the mortgage process more clearly. By initiating the mortgage origination process directly with the consolidator, the consumer would trim steps and save on loan origination fees and above-market discount points.

Full Text (3674 words)

[Headnote]

Facilitated by information technology and large MBS consolidators, **borrowers** may end up with direct access to the secondary market. Under one vision of the future, it's conceivable the middleman could be removed from the lending process. Consider this futuristic scenario as provocative food for thought.

ONLINE CONSUMER MORTGAGE SHOPPING, with direct access to pool commitments and delivery, could be on the horizon as the acceptance and sophistication of **Internet** commerce continues to grow. In fact, high-speed "e-mortgages"-loans available directly to **borrowers** from mortgage--

backed security (MBS) consolidators via the World Wide Web-may soon be ready for takeoff. This approach becomes all the more compelling in a society where consumers are obsessed with bargain-hunting and cutting out the middleman.

Although a bit more than merely pointing and clicking will be involved, e-mortgages could greatly streamline financing homes and other real property. Not only would the process be convenient, it should be lightning fast and virtually hassle-free.

Steps that once took days and required the involvement of a mortgage banker or broker could be completed in minutes and without a middleman. I know this sounds somewhat farfetched, and the skeptics among you are already thinking about how the promise of technology has so often proven oversold. But for the space of this article I ask you to read on with as open a mind as you can muster.

Under such a business scenario, the jobs of the mortgage banker or broker, at least as defined today, may cease to exist. These professional services might not be needed as consumers, on their own, shop more actively and efficiently for new loans. Meanwhile, existing mortgage holders would find it easy to browse for potential refinancing savings from their desktops when interest rates drop.

Even if e-mortgages never roar onto the scene at full tilt, the ongoing evolution of information technology and access to information itself are making the mortgage marketplace more competitive and challenging. However, technology and practice-- driven changes in the industry may be leveraged into sales and profitability gains by savvy companies with appropriate strategic plans.

The e-mortgage experience

In terms of available technology, the complete **online** e-- mortgage should be attainable soon, even if business and logistical barriers might slow its arrival. Here's how shopping for and securing a computerized e-mortgage might work.

Say a consumer, Mrs. Smith, receives a letter from a mortgage-backed securities consolidator, Mack & May Company, that advises her of an opportunity to refinance her existing home mortgage. The letter informs Mrs. Smith that she could save hundreds of dollars per month, due to current low market interest rates, if her current mortgage rate is 7.5 percent or higher. As it turns out, Mrs. Smith currently has a s200,000,000, 30-year mortgage fixed at 8 percent.

Mrs. Smith, who is computer-literate and owns a computer, is intrigued. Although she has become used to her mortgage payments, she has been looking for ways to put more money into her savings and retirement accounts. To determine her real savings through refinancing, Mack & May's letter instructs Mrs. Smith to access www.eMortgage.com on the **Internet**; purchase a copy of an inexpensive program called E-Mortgage; or visit a mortgage preparer in her area for assistance in accessing the E-Mortgage system.

Currently Mrs. Smith doesn't subscribe to an **Internet** service provider, but she does have a modem. She elects to buy the E-Mortgage software package and loads it into her computer from a CD-ROM.

Mrs. Smith finds the E-Mortgage program easy to use; it dials directly into the Mack & May Company mortgage market and allows her to download a table of products and prices. The table tells her that a 3o-year fixed mortgage is available at 6.875 percent, with no discount points. Accessing the system's mortgage comparison screen, Mrs. Smith learns that this rate would save her $230 per month.

She's sold. Mrs. Smith selects an option that allows her to immediately complete an **application** for the **mortgage online**. When the **application** form pops up on the computer screen, she enters relevant personal information such as her Social Security number and Home Mortgage Disclosure Act (HMDA) information, employer and salary information, current mortgage holder information and the address of her home. The application also asks for information on her assets and liabilities.

When she is ready to submit the **application**, the E-**Mortgage** program reminds Mrs. Smith that sending the information will authorize Mack & May Company and its assignees to check her credit, employment and current mortgage information. She consents to this and activates the application process by merely pushing the Enter key.

The software dials into the main system, transmits Mrs. Smith's application and notifies her on-screen that the transmission has been successful. A prompt asks her to wait while a credit decision is made.

Within eight minutes, E-Mortgage has reviewed Mrs. Smith's application, her credit bureau information and property valuation. It also verifies her current mortgage and income information electronically via government records. Mrs. Smith receives refinancing approval, subject to a drive-- by property condition check.

A loan commitment screen appears on Mrs. Smith's monitor listing all decision criteria, legal notifications and closing cost estimates (HUD1, Truth in Lending, Good Faith Estimate, etc.). E-Mortgage then asks her to accept the terms of the mortgage by hitting the Enter key. This also saves the decision criteria, legal notifications and closing cost estimate to either her computer's hard drive or a floppy disk.

Next, the E-Mortgage program notifies Mrs. Smith that she must print out these forms, sign them, attach a check for $350 and hold the package for a messenger, who will be immediately dispatched by Mack & May to pick up the documents from her to take to a mortgage processing center.

The software also explains to Mrs. Smith that Mack & May will notify her with the name of a title company to contact for setting up a loan closing appointment. This information will be sent via an e-mail feature built into the program. To access the e-mail message and closing instructions, Mrs. Smith is asked to dial back into the system after three days.

The messenger picks up Mrs. Smith's signed documents and check within a few hours. Three days later, she uses E-- Mortgage to access her e-mail message, which directs her to contact Local Loan and Title Company to schedule an insured closing appointment. Mrs. Smith phones Local Loan and Title to schedule the closing for three days later.

At the closing, the title company asks her to sign the note, the mortgage, the final closing cost statement and a few more disclosures (forms that had been e-mailed to the title company earlier). Mrs. Smith also receives an introduction letter from National Mortgage Servicing Company, explaining that the firm has been selected by Mack & May to service her mortgage for as long as the servicing firm meets the needs of Mack & May, Mrs. Smith and mortgage pool investors. The letter also includes a coupon for her first payment and an envelope in which to mail it.

After the closing, the signed documents are copied and provided to Mack & May's mortgage processing unit, National Mortgage Servicing and Mrs. Smith. She walks out of the title company's office with her new, money-saving mortgage in hand and in place.

Mack & May Company receives the executed note, mortgage and disclosures. It then matches the final numbers on the documents to its system and to the payment that had been wired to the title company to pay off Mrs. Smith's old mortgage.

Once it has been confirmed that the closing went as planned, a collateral loan file is established and sent to a custodian for safekeeping. Mack & May then confirms via the E-Mortgage system that Mrs. Smith's loan has been received into the MBS pool to which she had originally committed only eight days earlier.

(See Figure 1 for an illustration of how this new e-mortgage process might work.)

The fallout: Who will be left in e-mortgage's dust?

If this scenario were to become reality (granted that today it appears quite the long shot), what would it mean for the mortgage industry? Investors would continue to invest in pools of individual mortgages to manage risk. However, consumers would have direct access to the secondary market and be able to sell their individual mortgage products directly into these investment pools.

Market consolidators-potentially the government-sponsored enterprises (GSEs), private consolidators such as Prudential and GMAC-RFC, or some new player like Microsoft-will offer this direct access by defining the pools, attracting investors and coordinating consumer participation. Meanwhile, vendors such as title companies and mortgage service suppliers will assist in the initial sale and post-contract servicing of the individual mortgages.

The evolution of network computing and the resulting improvement in real-time information access will make the consumer mortgage market more efficient. Mortgage bankers will need to adjust to a new way of doing business as a result.

Consider: Currently when a consumer needs a mortgage, he or she goes to the marketplace with an agent who, typically, is a mortgage banker or mortgage broker representative. The **borrower** must turn to an agent because the agent has access to such information as the types of mortgage products available, product prices, product requirements and, of course, market access.

Conversely, without a banker or broker, the mortgage marketplace has no way to gather vital information about the consumer, such as income, employment, assets, liabilities, credit history, collateral value and collateral title. At present, the mortgage originator collects this information, often manually, from the applicant and supplies it to investors via market consolidators.

Only when this information has been shared and verified can the mortgage selection process occur. Thus, mortgage originators such as mortgage bankers and brokers play a vital role as dealmaker and controller of information quality and accuracy. (See Figure 2 for a chart of how the current mortgage process works.)

Once the loan is closed, funded, boarded (set up on the accounts receivable system after it is funded), recorded and set up, the post-contract servicing process begins. Consumers need a place to send their payments to and someone to maintain the status of their accounts. Investors must collect those interest and principal payments and make sure the consumers' accounts are properly maintained and serviced. Mortgage servicing companies carry out these transaction management and information-processing assignments for a servicing fee.

How close are we?

Although the total e-mortgage package has yet to be assembled, information technology advances are already changing the mortgage business and slowly eroding the importance of the mortgage originator. Consider the following elements that already exist or could easily be created:

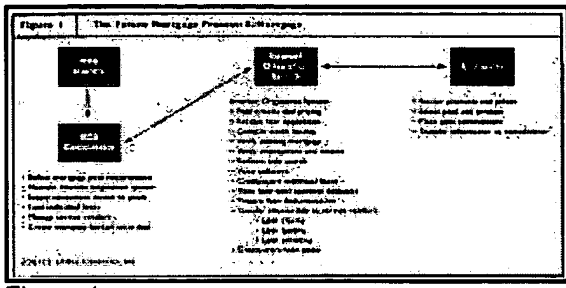

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Figure 1

* **Online** access to mortgage pools for information have emerged, and systems are available that could approximate such market access. These include Fannie Mae's Desktop Trader, which allows users to point and click to the product of their choice; and CFI ProServices' Laser Pro Mortgage, which provides automatic rate sheets listed by product, state and other categories.

* **Internet**-based mortgage markets for **loan** shopping, **application** processing and status updates have been developed. For instance, the QuickenMortgage **Internet** site is designed to facilitate preapproval and application to a group of lenders. It also permits selection of a lender based on loan characteristics.

* Some leading providers of origination software have rolled out laptop computerbased mortgage origination systems.

* Automated data collection routines and software-hardware interfaces for credit bureaus, income verification, title searches, appraisal request/receipt and collateral valuation models have been developed.

* Automated underwriting systems for loan and mortgage insurance approval have been created by Freddie Mac, Fannie Mae, PMI and others. These can provide rapid purchase approvals and quickly determine types of collateral assessment required.

* Loan-level risk-based pricing and pool placement can be computed using credit-scoring models. These include Fair, Isaac & Company (FICO) scores and mortgage-specific credit-scoring models.

* Aggregate vendor services bundle credit bureau interfaces, title policies, appraisals, home inspections, loan documentation and closing services.

* Simplified processing requirements from the major consolidators, such as Freddie Mac and Fannie Mae, make the e-mortgage model more attainable.

Moreover, when it comes to the mortgage process today, many consumers-especially ones looking to buy a second home or to refinance-understand the mechanics of the mortgage process more clearly. Many of these individuals, who have grown accustomed to home computers and home offices, routinely use the computer as a time- and moneysaving tool. For instance, consumers increasingly prepare and send their tax returns directly to the IRS rather than hiring an accountant. These individuals realize savings by handling their own taxes and avoiding accountant fees.

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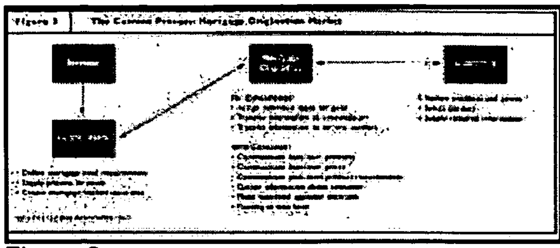

Enlarge 200%
Enlarge 400%

Figure 2

Would **borrowers** be comfortable assembling and closing their own **mortgage application** packages for submittal to Freddie Mac or Fannie Mae? Quite possibly. Many individuals could gather the correct backup information, print out the appropriate documents and assemble the files in the correct order, especially if it meant a lower mortgage origination fee. For those who could not, or would not, there would be a market for "mortgage preparers" who would do the work for the **borrowers** for a fixed fee (like H&R Block or Jackson-Hewitt do for income taxes).

Other market forces at work

In addition to technology, other forces are steering the mortgage marketplace toward simplified or self-service processing.

First, competition for **borrowers** has driven down margins in the mortgage origination and servicing businesses. Another place to trim expenses is from the sales force making money on origination commissions. The best way to reduce origination fees is to offer the consumer the option of doing more work in exchange for lower pricing.

On the servicing side of the mortgage business, servicing companies record their fees as assets on their balance sheets. The reason: Fees are considered to be acquired revenue streams. The income continues until the servicing asset is sold or ends with the retirement of the mortgage.

However, the balance sheet value of the servicing is loaded with assumptions, and the actual value of the revenue flow may be unknown. If mortgage loans are originated directly through consolidators, the consolidators could retain ownership of the servicing rights. In turn, servicing would be outsourced for an established fee to contracted vendors. This would eliminate the write-off risks that now haunt many mortgage servicers.

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The new mortgage marketplace

In my view, the mortgage origination and servicing arenas are gravitating toward three players: mortgage consumers, market consolidators and mortgage-backed securities investors.

Consumers and consolidators would both play by modified rules in the e-mortgage environment. For instance, consolidators would:

* Determine what the investor market requires for interest rates for a given set of mortgage products. This would include pricing for "hedging the pipeline" for locked-in loans. This information would be posted on e-mortgage systems.

* Maintain the automated underwriting decision software used in an e-mortgage business environment.

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* Fund loans at closing. This would be provided on a system outside of e-mortgage to ensure security.

* Prepare mortgage-backed securities and settle them with investors.

The individual pieces for an e-mortgage system are in place, but assembly is another matter. Despite the economic benefits and appeal of the streamlined e-mortgage system, barriers must be overcome before the entire approach can coalesce.

Mortgage originators

GSEs could not tackle an e-mortgage product offering under their current legislative charters. The first company to create an e-mortgage business model most likely will have to come from outside the industry. In fact, the size and risk of creating an integrated electronic mortgage marketplace may be too large for any single company to take on, at least for the near future. Still, e-mortgage is a legitimate long-term vision, and mortgage industry firms should consider preparing for it.

The way I read the trends are the value of mortgage originators will drop as consumers, empowered with greater information access, see less reason to pay a 1 percent origination fee and above-market discount points for a new or refinanced loan. In my view, the solution for mortgage originators is to develop a fixed-fee practice that matches price with value-added.

A sales channel with fixed-fee mortgage origination has several benefits. First, it prepares the originator for the advent of the e-mortgage market. Second, it also would assist in bidding for business from consolidators once e-mortgage arrives, by establishing unit pricing history.

In the interim, a fixed-fee approach as a unique pricing option would have appeal in the current market. Sophisticated refinance consumers already seriously try to bid down and contain costs, so a fixed-cost approach would meet their needs. A similar approach has worked well in the securities trading industry.

How low might the fees go? With effective process control, successful companies may be able to offer

$500 origination fees. As e-mortgage evolves, the price may drop to the $200 range. Mortgage originators will be able to afford to do this if they focus on:

* Effective lead management with an emphasis on customer information.

* A structured sales process with call productivity, solid lead conversion and salaried staffs.

* A shared workload with the **borrower** in terms of data and document collection.

* Efficient, centralized processes from application to funding.

* Sophisticated information systems that are fully integrated and accessible by **borrowers**.

Mortgage servicers

Companies with strong core competencies in loan servicing for **borrowers** and investors will want to refine and exploit this expertise to further their competitive advantage. In fact, in lieu of originating mortgages, it might make business sense for some firms to specialize in mortgage servicing only.

This specialization would require companies to rely on sources other than their internal mortgage origination counterparts for business. As a result, these mortgage servicers would have to develop specific servicing business sales channels to reach their customers-consolidators-and not merely purchase servicing rights. For mortgage servicers, the key to winning and retaining business from consolidators will be providing quality, in the form of superior service, to the consolidators, investors and consumers.

As a contracted service provider, mortgage servicers will need to focus on quality achievement, in line with ISO 9002 (International Standards Organization guidelines for doing business on a world-class level) or Malcolm Baldridge Award standards. The keys to success for mortgage servicers are:

* Selling services, not just buying servicing rights.

* Satisfying customer needs and delivering consistent customer service, not just minimizing costs.

* Designing attractive and competitive investor services.

* Establishing post-sales service contracts and service-level agreements between themselves and the consolidators, investors and consumers.

Vendors or mortgage service providers

Currently, the outsourcing of specialized tasks is expanding in the mortgage industry. As the business moves closer to the e-mortgage model, there will be expanded vendor sales opportunities for traditional services such as appraisals, **title insurance**, credit bureau checks and closings. Outsourcing demand also will rise for document processing, underwriting, income verification and collateral custodians.

Opportunities will be especially strong for vendors who combine mortgage services and offer them to customers on a one-stop, turnkey basis. After all, vendor consolidation is a sweeping trend in all U.S. business sectors. The basis for this trend is customer intimacy.

Thus, companies hoping to become major players in serving the mortgage industry, as I see it, should expand their service offerings and geographic presence. Expanding and updating information technology systems and platforms will be especially critical, since this is central to e-- mortgage, which will rely on electronic data interchange (EDI), specific system linkages, specific service requirements and close coordination of protocols.

How can vendors achieve these goals? Mortgage service providers should:

* Identify all service providers used by their current clients.

* Identify future geographic presence of current clients.

* Build competencies in service and geographic areas through personnel development, acquisitions/mergers and partnerships with other firms.

* Actively negotiate to become a sole supplier of services to current core clients.

Regardless of whether e-mortgage becomes a reality, some industry trends are clear. As mortgage buyers gain access to information and become sophisticated, they will, increasingly, work to be closer to consolidators to tap investor funds and market prices. The need for the traditional mortgage banker or broker will change. With the middleman removed and efficiencies improved, mortgage prices should drop for **borrowers**. Companies that read and react to these trends and that make a commitment to lead in the marketplace, are those most likely to prosper in the marketplace of the future.

[Author Affiliation]
Mike Scott is principal and director of the Consumer Finance Practice at LoBue Associates, Inc., Las Vegas, Nevada. Founded in 1981, LoBue Associates, Inc., provides a range of consulting services to leading banks and financial institutions. The firm has conducted more than 300 consulting projects in 37 countries, providing business design, on-site project management and execution, and training and development services. In banking, LoBue has expertise in the retail, consumer finance, private, mortgage, corporate and international, and technology lines of business.

Article View

Lenders migrate to Net

Anonymous. **Origination News**. New York: Sep 1998.Vol.7, Iss. 13; pg. 109, 1 pgs

» **Jump to full text**

Subjects:	Bank marketing, Computerized loan originations, Electronic banking, Web sites, Softw
Classification Codes	Bank marketing, Computerized loan originations, Electronic banking, Web site:
Classification Codes	8120 Retail banking services, 7000 Marketing, 5250 Telecommunications systems, 52‹
Locations:	US
Companies:	Associated Software Consultants Inc, DataVision Inc, GetSmart, HomeShark, Urban L
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Abstract (Article Summary)

The **Internet** continues to accumulate lenders interested in generating leads, taking **applications** and closing **mortgages** for customers **online**. However, it has also seen an influx in Web sites developed to serve those lenders. For example, Associated Software Consultants Inc. (Cleveland, Ohio) has partnered with Data-Vision Inc. (Indianapolis, Indiana), a mortgage-oriented Web site creator, to offer users of ASC's UNI-FORM Loan Processing System a rapid, inexpensive method for establishing presence on the Web. Lenders merely populate their Data-Vision-hosted Web site (http://www.LoanQuoter.com) shell with their own information and they are up and running in a fraction of the time and cost of traditional methods.

Full Text (411 words)

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Lenders merely populate their Data-Vision-hosted website (www.LoanQuoter.com) shell with their own information and they're up and running in a fraction of the time and cost of traditional methods, according to the companies. The pre-fab site includes numerous screens, calculators, and an **online** application.

GetSmart (www.getsmart.com), Burlingame, Calif., a multilender site for consumers and businesses, has announced an upgrade of its MortgageFinder search tool. An enhanced graphical user interface will make the site more intuitive, making the **borrower's** experience easier and more efficient.

San Jose-based interactive agency ElliottDickens created the gui. GetSmart's proprietary algorithm sorts through the database and identifies lenders who can best meet **borrowers** described needs.

Attorneys' Title Guaranty Fund, Inc., (www.atfg.com) a bar-related **title insurance** company doing business in Illinois,Wisconsin and Indiana, is using software from Pervasive Software Inc. to let home buyers find closing information on the **Internet**.

Using the Pervasive.SQL database engine, ATG allows home buyers to find the exact amount of money needed for a home closing and download a map that provides directions to the closing location. The application is free to home buyers and their attorneys who use ATG to issue the **title insurance** policies and facilitate the closing.

Southern California's Urban Land Insitute's Los Angeles District Council has launched a website (www.uli-la.org) to facilitate rapid communication among members and real estate professionals.The site features news about ULI programs, special events, educational activities, and professional real estate opportunities.

Established in 1986, the Los Angeles District Council facilitates the open exchange of ideas, information and experience among local, national and international industry leaders.The organization is dedicated to the best use of Southern California land.

Homeshark, Inc. (www.HomeShark.com), San Francisco, Calif., has launched it affiliate program and reports more than 60 websites are now carrying its discount mortgage information. Through the program, any site can join by signing up **online**. Partners have the choice of several co-branding and content options that can be tailored to suit their audience needs.

HomeShark's partnerships thus far include a wide range of Websites covering real estate, investing and local information.

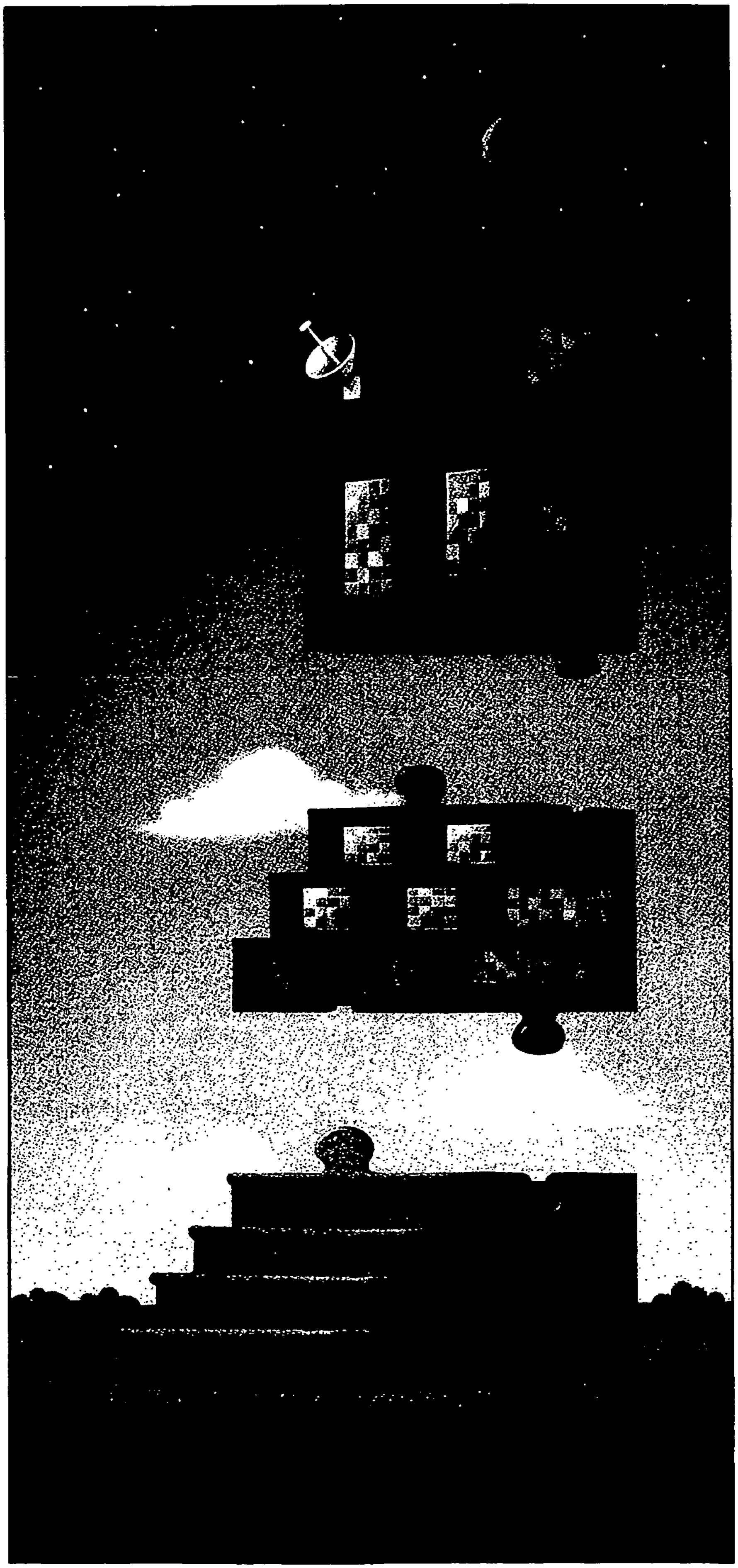

ILLUSTRATION BY THEO RUDNAK

Is E-

Facilitated by information technology and large MBS consolidators, borrowers may end up with direct access to the secondary market. Under one vision of the future, it's conceivable the middleman could be removed from the lending process. Consider this futuristic scenario as provocative food for thought.

Mortgage *Ready for Takeoff?*

BY MIKE SCOTT

ONLINE CONSUMER MORTGAGE SHOPPING, with direct access to pool commitments and delivery, could be on the horizon as the acceptance and sophistication of Internet commerce continues to grow. In fact, high-speed "e-mortgages"—loans available directly to borrowers from mortgage-backed security (MBS) consolidators via the World Wide Web—may soon be ready for takeoff. This approach becomes all the more compelling in a society where consumers are obsessed with bargain-hunting and cutting out the middleman.

Although a bit more than merely pointing and clicking will be involved, e-mortgages could greatly streamline financing homes and other real property. Not only would the process be convenient, it should be lightning fast and virtually hassle-free.

Steps that once took days and required the involvement of a mortgage banker or broker could be completed in minutes and without a middleman. I know this sounds somewhat farfetched, and the skeptics among you are already thinking about how the promise of technology has so often proven oversold. But for the space of this article I ask you to read on with as open a mind as you can muster.

Under such a business scenario, the jobs of the mortgage banker or broker, at least as defined today, may cease to exist. These professional services might not be needed as consumers, on their own, shop more actively and efficiently for new loans. Meanwhile, existing mortgage holders would find it easy to browse for potential refinancing savings from their desktops when interest rates drop.

Even if e-mortgages never roar onto the scene at full tilt, the ongoing evolution of information technology and access to information itself are making the mortgage marketplace more competitive and challenging. However, technology and practice-driven changes in the industry may be leveraged

into sales and profitability gains by savvy companies with appropriate strategic plans.

The e-mortgage experience

In terms of available technology, the complete online e-mortgage should be attainable soon, even if business and logistical barriers might slow its arrival. Here's how shopping for and securing a computerized e-mortgage might work.

Say a consumer, Mrs. Smith, receives a letter from a mortgage-backed securities consolidator, Mack & May Company, that advises her of an opportunity to refinance her existing home mortgage. The letter informs Mrs. Smith that she could save hundreds of dollars per month, due to current low market interest rates, if her current mortgage rate is 7.5 percent or higher. As it turns out, Mrs. Smith currently has a $200,000, 30-year mortgage fixed at 8 percent.

Mrs. Smith, who is computer-literate and owns a computer, is intrigued. Although she has become used to her mortgage payments, she has been looking for ways to put more money into her savings and retirement accounts. To determine her real savings through refinancing, Mack & May's letter instructs Mrs. Smith to access www.eMortgage.com on the Internet; purchase a copy of an inexpensive program called E-Mortgage; or visit a mortgage preparer in her area for assistance in accessing the E-Mortgage system.

Currently Mrs. Smith doesn't subscribe to an Internet service provider, but she does have a modem. She elects to buy the E-Mortgage software package and loads it into her computer from a CD-ROM.

Mrs. Smith finds the E-Mortgage program easy to use; it dials directly into the Mack & May Company mortgage market and allows her to download a table of products and prices. The table tells her that a 30-year fixed mortgage is available at 6.875 percent, with no discount points. Accessing the system's mortgage comparison screen, Mrs. Smith learns that this rate would save her $230 per month.

She's sold. Mrs. Smith selects an option that allows her to immediately complete an application for the mortgage online. When the application form pops up on the computer screen, she enters relevant personal information such as her Social Security number and Home Mortgage Disclosure Act (HMDA) information, employer and salary information, current mortgage holder information and the address of her home. The application also asks for information on her assets and liabilities.

When she is ready to submit the application, the E-Mortgage program reminds Mrs. Smith that sending the information will authorize Mack & May Company and its assignees to check her credit, employment and current mortgage information. She consents to this and activates the application process by merely pushing the Enter key.

The software dials into the main system, transmits Mrs. Smith's application and notifies her on-screen that the transmission has been successful. A prompt asks her to wait while a credit decision is made.

Within eight minutes, E-Mortgage has reviewed Mrs. Smith's application, her credit bureau information and property valuation. It also verifies her current mortgage and income information electronically via government records. Mrs. Smith receives refinancing approval, subject to a drive-by property condition check.

A loan commitment screen appears on Mrs. Smith's monitor listing all decision criteria, legal notifications and closing cost estimates (HUD1, Truth in Lending, Good Faith Estimate, etc.). E-Mortgage then asks her to accept the terms of the mortgage by hitting the Enter key. This also saves the decision criteria, legal notifications and closing cost estimate to either her computer's hard drive or a floppy disk.

Next, the E-Mortgage program notifies Mrs. Smith that she must print out these forms, sign them, attach a check for $350 and hold the package for a messenger, who will be immediately dispatched by Mack & May to pick up the documents from her to take to a mortgage processing center.

The software also explains to Mrs. Smith that Mack & May will notify her with the name of a title company to contact for setting up a loan closing appointment. This information will be sent via an e-mail feature built into the program. To access the e-mail message and closing instructions, Mrs. Smith is asked to dial back into the system after three days.

The messenger picks up Mrs. Smith's signed documents and check within a few hours. Three days later, she uses E-Mortgage to access her e-mail message, which directs her to contact Local Loan and Title Company to schedule an insured closing appointment. Mrs. Smith phones Local Loan and Title to schedule the closing for three days later.

At the closing, the title company asks her to sign the note, the mortgage, the final closing cost statement and a few more disclosures (forms that had been e-mailed to the title company earlier). Mrs. Smith also receives an introduction letter from National Mortgage Servicing Company, explaining that the firm has been selected by Mack & May to service her mortgage for as long as the servicing firm meets the needs of Mack & May, Mrs. Smith and mortgage pool investors. The letter also includes a coupon for her first payment and an envelope in which to mail it.

After the closing, the signed documents are copied and provided to Mack & May's mortgage processing unit, National Mortgage Servicing and Mrs. Smith. She walks out of the title company's office with her new, money-saving mortgage in hand and in place.

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Mack & May Company receives the executed note, mortgage and disclosures. It then matches the final numbers on the documents to its system and to the payment that had been wired to the title company to pay off Mrs. Smith's old mortgage.

Once it has been confirmed that the closing went as planned, a collateral loan file is established and sent to a custodian for safekeeping. Mack & May then confirms via the E-Mortgage system that Mrs. Smith's loan has been received into the MBS pool to which she had originally committed only eight days earlier.

(See Figure 1 for an illustration of how this new e-mortgage process might work.)

The evolution of network computing and the resulting improvement in real-time information access will make the consumer mortgage market more efficient.

The fallout: Who will be left in e-mortgage's dust? If this scenario were to become reality (granted that today it appears quite the long shot), what would it mean for the mortgage industry? Investors would continue to invest in pools of individual mortgages to manage risk. However, consumers would have direct access to the secondary market and be able to sell their individual mortgage products directly into these investment pools.

Market consolidators—potentially the government-sponsored enterprises (GSEs), private consolidators such as Prudential and GMAC-RFC, or some new player like Microsoft—will offer this direct access by defining the pools, attracting investors and coordinating consumer participation. Meanwhile, vendors such as title companies and mortgage service suppliers will assist in the initial sale and post-contract servicing of the individual mortgages.

The evolution of network computing and the resulting improvement in real-time information access will make the consumer mortgage market more efficient. Mortgage bankers will need to adjust to a new way of doing business as a result.

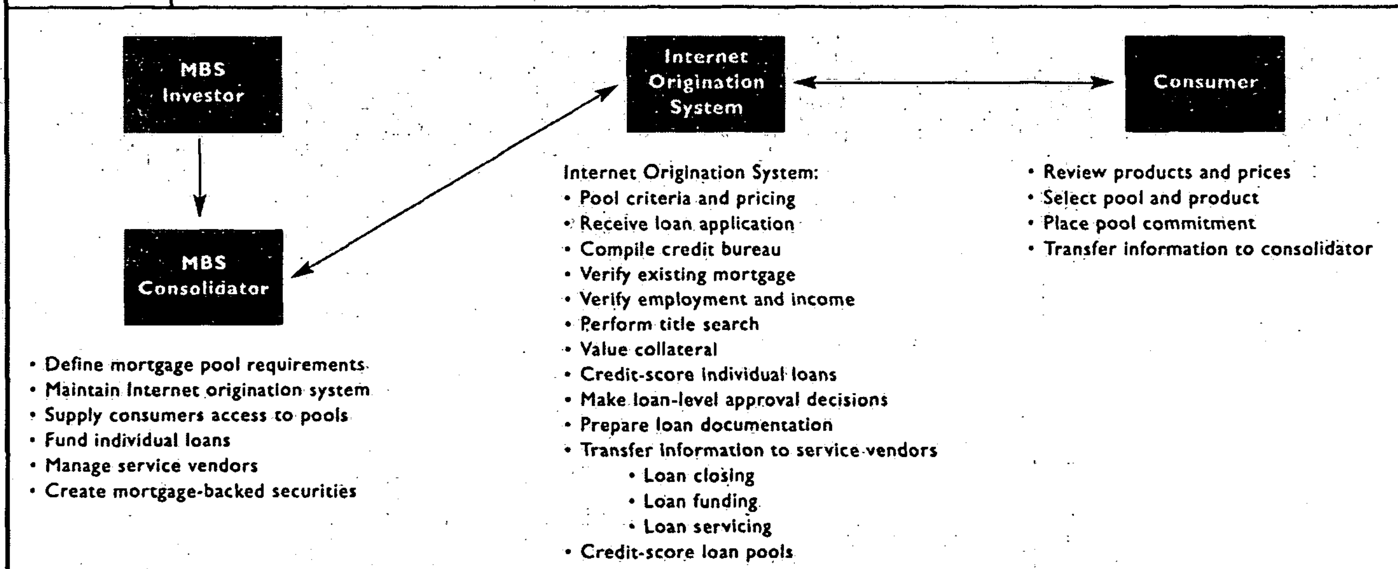
Consider: Currently when a consumer needs a mortgage, he or she goes to the marketplace with an agent who, typically, is a mortgage banker or mortgage broker representative. The borrower must turn to an agent because the agent has access to such information as the types of mortgage products available, product prices, product requirements and, of course, market access.

Conversely, without a banker or broker, the mortgage marketplace has no way to gather vital information about the consumer, such as income, employment, assets, liabilities, credit history, collateral value and collateral title. At present, the mortgage originator collects this information, often manually, from the applicant and supplies it to investors via market consolidators.

Only when this information has been shared and verified can the mortgage selection process occur. Thus, mortgage originators such as mortgage bankers and brokers play a vital role as dealmaker and controller of information quality and accuracy. (See Figure 2 for a chart of how the current mortgage process works.)

Once the loan is closed, funded, boarded (set up on the accounts receivable system after it is funded), recorded and

Figure 1 | **The Future Mortgage Process: E-Mortgage**



SOURCE: LOBUE ASSOCIATES, INC.

Moreover, when it comes to the mortgage process today, many consumers—especially ones looking to buy a second home or to refinance—understand the mechanics of the mortgage process more clearly.

set up, the post-contract servicing process begins. Consumers need a place to send their payments to and someone to maintain the status of their accounts. Investors must collect those interest and principal payments and make sure the consumers' accounts are properly maintained and serviced. Mortgage servicing companies carry out these transaction management and information-processing assignments for a servicing fee.

How close are we?

Although the total e-mortgage package has yet to be assembled, information technology advances are already changing the mortgage business and slowly eroding the importance of the mortgage originator. Consider the following elements that already exist or could easily be created:

- Online access to mortgage pools for information have emerged, and systems are available that could approximate such market access. These include Fannie Mae's Desktop Trader, which allows users to point and click to the product of their choice; and CFI ProServices' Laser Pro Mortgage, which provides automatic rate sheets listed by product, state and other categories.
- Internet-based mortgage markets for loan shopping, application processing and status updates have been developed. For instance, the QuickenMortgage Internet site is designed to facilitate preapproval and application to a group of lenders. It also permits selection of a lender based on loan characteristics.
- Some leading providers of origination software have rolled out laptop computer-based mortgage origination systems.
- Automated data collection routines and software-hardware interfaces for credit bureaus, income verification, title searches, appraisal request/receipt and collateral valuation models have been developed.
- Automated underwriting systems for loan and mortgage insurance approval have been created by Freddie Mac, Fannie Mae, PMI and others. These can provide rapid purchase approvals and quickly determine types of collateral assessment required.
- Loan-level risk-based pricing and pool placement can be computed using credit-scoring models. These include Fair, Isaac & Company (FICO) scores and mortgage-specific credit-scoring models.
- Aggregate vendor services bundle credit bureau interfaces, title policies, appraisals, home inspections, loan documentation and closing services.
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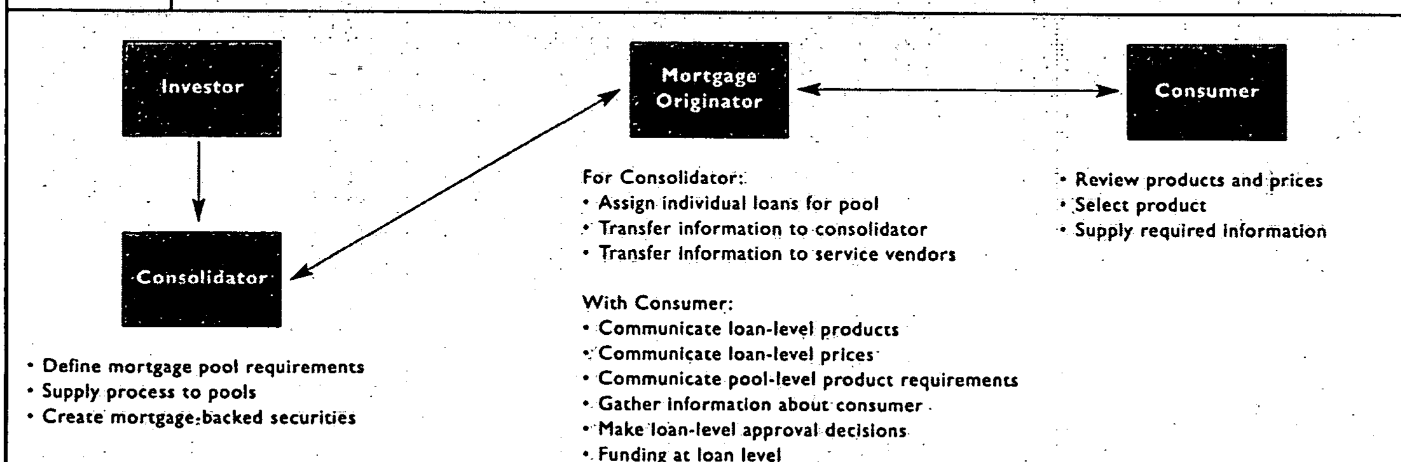
Figure 2 The Current Process: Mortgage Origination Market



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- Sophisticated information systems that are fully integrated and accessible by borrowers.

Mortgage servicers

Companies with strong core competencies in loan servicing for borrowers and investors will want to refine and exploit this expertise to further their competitive advantage. In fact, in lieu of originating mortgages, it might make business sense for some firms to specialize in mortgage servicing only.

This specialization would require companies to rely on sources other than their internal mortgage origination counterparts for business. As a result, these mortgage servicers would have to develop specific servicing business sales channels to reach their customers—consolidators—and not merely purchase servicing rights. For mortgage servicers, the key to winning and retaining business from consolidators will be providing quality, in the form of superior service, to the consolidators, investors and consumers.

As a contracted service provider, mortgage servicers will need to focus on quality achievement, in line with ISO 9002 (International Standards Organization guidelines for doing business on a world-class level) or Malcolm Baldridge Award standards. The keys to success for mortgage servicers are:

- Selling services, not just buying servicing rights.
- Satisfying customer needs and delivering consistent customer service, not just minimizing costs.
- Designing attractive and competitive investor services.
- Establishing post-sales service contracts and service-level agreements between themselves and the consolidators, investors and consumers.

Vendors or mortgage service providers

Currently, the outsourcing of specialized tasks is expanding in the mortgage industry. As the business moves closer to the e-mortgage model, there will be expanded vendor sales opportunities for traditional services such as appraisals, title insurance, credit bureau checks and closings. Outsourcing demand also will rise for document processing, underwriting, income verification and collateral custodians.

Opportunities will be especially strong for vendors who combine mortgage services and offer them to customers on a one-stop, turnkey basis. After all, vendor consolidation is a sweeping trend in all U.S. business sectors. The basis for this trend is customer intimacy.

Thus, companies hoping to become major players in serving the mortgage industry, as I see it, should expand their service offerings and geographic presence. Expanding and updating information technology systems and platforms will be especially critical, since this is central to e-mortgage, which will rely on electronic data interchange (EDI), specific system linkages, specific service requirements and close coordination of protocols.

How can vendors achieve these goals? Mortgage service providers should:

- Identify all service providers used by their current clients.
- Identify future geographic presence of current clients.
- Build competencies in service and geographic areas through personnel development, acquisitions/mergers and partnerships with other firms.
- Actively negotiate to become a sole supplier of services to current core clients.

Regardless of whether e-mortgage becomes a reality, some industry trends are clear. As mortgage buyers gain access to information and become sophisticated, they will, increasingly, work to be closer to consolidators to tap investor funds and market prices. The need for the traditional mortgage banker or broker will change. With the middleman removed and efficiencies improved, mortgage prices should drop for borrowers. Companies that read and react to these trends and that make a commitment to lead in the marketplace, are those most likely to prosper in the marketplace of the future. **MB**

Mike Scott is principal and director of the Consumer Finance Practice at LoBue Associates, Inc., Las Vegas, Nevada. Founded in 1981, LoBue Associates, Inc., provides a range of consulting services to leading banks and financial institutions. The firm has conducted more than 300 consulting projects in 37 countries, providing business design, on-site project management and execution, and training and development services. In banking, LoBue has expertise in the retail, consumer finance, private, mortgage, corporate and international, and technology lines of business.

No-Cost Home Refinance: Is It Worth It?; Loans: Low rates are prompting homeowners to take out new mortgages. Here's what to consider before you switch.

Strickland, Daryl. Los Angeles Times. Los Angeles, Calif.: Nov 1, 1998. pg. C1

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Abstract (Article Summary)

A no-cost loan isn't exactly what its name implies. **Borrowers** like [Daniel] Mayeda pay higher interest rates, often half a percentage point above market, in exchange for initially saving thousands in out-of-pocket fees that a traditional refinance loan requires.

Loan experts say **borrowers** should consider the benefits and risks before refinancing. Here's how a no-cost refinance loan on a $200,000, 30-year loan at 7.75% interest compares with a traditional one.

In a traditional refinance, a **borrower** pays "points"--typically 0.5% to 2% of the loan--to obtain a competitive rate. In today's market, 1 point, or $2,000 on our hypothetical loan, would buy a 30-year fixed rate of 6.625%. That would reduce the **borrower's** monthly payment to $1,280.62 from $1,432.82, a savings of $152.20 a month, or $1,826.40 a year.

Full Text (2430 words)

Daniel Mayeda is at it again. For the second time this year, the Culver City homeowner is poised to refinance his house to take advantage of lower interest rates.

"It makes sense for me every time I do it because I save more than 100 bucks a month on my house payment," said the 40-year-old entertainment lawyer, who has refinanced his home three times in the last two years.

Like consumers who trade one credit card for another to gain cheaper interest rates, Mayeda and a growing number of homeowners are pursuing new mortgages to lower their monthly payments and free up money for other uses.

Spurred by the lowest interest rates in decades, steadily rising home prices and the lending industry's smoother application process, more homeowners than ever are refinancing.

Nationwide, the value of refinanced mortgages is projected to top $720 billion this year, which would exceed the record set in 1993 by nearly one-third, according to the Mortgage Bankers Assn. of America, a Washington-based trade group.

The group estimated that since 1991, U.S. homeowners have saved $50 billion by refinancing, and one out of three homeowners is expected to refinance during the current boom.

Increasingly, homeowners are turning to "no-cost" mortgages, which were created about five years ago and now account for an estimated 40% of the refinance market.

A no-cost loan isn't exactly what its name implies. **Borrowers** like Mayeda pay higher interest rates, often half a percentage point above market, in exchange for initially saving thousands in out-of-pocket fees that a traditional refinance loan requires.

No-cost loans have helped convince millions of homeowners to eschew conventional wisdom that says mortgage rates must decline 2 percentage points before refinancing makes economic sense.

In an era of low interest rates, the trend has been a boon to the Southland's home-lending industry.

The Benefits and Risks

Loan experts say **borrowers** should consider the benefits and risks before refinancing. Here's how a no-cost refinance loan on a $200,000, 30-year loan at 7.75% interest compares with a traditional one.

In a traditional refinance, a **borrower** pays "points"--typically 0.5% to 2% of the loan--to obtain a competitive rate. In today's market, 1 point, or $2,000 on our hypothetical loan, would buy a 30-year fixed rate of 6.625%. That would reduce the **borrower's** monthly payment to $1,280.62 from $1,432.82, a savings of $152.20 a month, or $1,826.40 a year.

The **borrower** also pays a variety of fees for things such as **title insurance**, escrow processing and an appraisal report. Combined with the points, the costs of a traditional refinance run about $4,500 on a $200,000 loan. (The **borrower** also must come up with as much as one month's prepaid interest on the old loan, which would amount to $1,290 in this example.)

The costs of this refinance would be recouped in 2 1/2 years.

If the **borrower** owned the house for the entire 30 years, he or she would pay $54,792 less over the life of the loan.

Under a no-cost refinancing, the upfront costs are built into the loan in the form of a higher interest rate, in this case, 7.125%.

Monthly payments would drop by $85.38 per month, or $1,024.56 per year from the consumer's first mortgage. Over the 30-year life of the loan, that's $30,736.80 less when compared with the original loan.

For **borrowers** like Mayeda, the big motivating factor is no out-of-pocket expenses, except for the $1,290 in interest prepaid on the old loan.

In three refinancings over the last two years, Mayeda has shrunk the rate on his loan to 7.625% from 9%, and his monthly payment to about $2,900 from $3,400.

"Each time I do this, I say: 'This is it. Rates will never get any lower than this.' But then rates will fluctuate and I find I can refinance again," Mayeda said. "It doesn't cost me anything out of pocket, only a little time filling out forms. But it's worth it for the money I'm saving."

The appeal of a no-cost loan is that it allows homeowners to shrink their interest rates, lower their monthly payments and pocket the savings without spending a dime.

"If somebody puts $85 on your front doorstep every month, and all you had to do was fill out the paperwork to ensure you'll get the money, wouldn't you do it?" asked John Greer, branch manager of Western Capital Mortgage in Irvine, who's a big advocate of the no-cost loan.

Because there are no upfront fees, consumers can refinance whenever interest rates drop, fattening their reserves. "It's a phenomenon that we see when we're in these kinds of market conditions," Greer said. "Literally, people are refinancing three and four times a year."

Be Sure to Crunch the Numbers

Although swapping mortgages for only incremental rate cuts can mean saving thousands of dollars, lenders stress that homeowners do the math and calculate whether the sum is significant enough to warrant the refinance.

Here's one method to determine whether a no-cost refinance works in a homeowner's favor.

First, add up the number of remaining monthly payments on the current mortgage. Separately, multiply the monthly payment for the no-cost loan by 360 (30 years).

If the total of the remaining payments is less than the total of the no-cost loan payments, then stand pat. Otherwise, a no-cost loan could be the better option.

"It's never a precise science, but we strictly advise that before refinancing, run the numbers and know at what interest rate levels does it make sense to refinance," said Keith Gumbinger, vice president of HSH Associates, a New Jersey-based mortgage publisher. "Do the research, call the lenders, track down a dozen quotes, and once you find your price, lock in."

One drawback to refinanced mortgages is that they can increase the cost of borrowing in the long term.

In the example above, if the **borrower** has made five years of payments on the original mortgage and then decides to refinance over 30 years, he could wind up shelling out $485,000. Had he kept the original mortgage, his total payments would have come to $430,000.

Some industry executives question whether refinancing is worthwhile if there isn't at least a 1-percentage-point spread between the new and old mortgages.

"If it's anything less than that, I'm not sure you're saving many dollars," said Dan Hanson, senior vice president of Norwest Mortgage Inc., one of the nation's largest mortgage originators. He believes that with closing costs spread over so many years, homeowners could pay those fees back several times over.

Indeed, in the example above, if the **borrower** paid on the no-cost mortgage for the entire 30 years, he would wind up paying $19,479.20 more than if he had taken the traditional refinance route.

That doesn't mean no-cost refinancing isn't a good idea.

The majority of homeowners live in their homes for less than the length of their mortgage. And the savings can be plowed into other investments that have the potential to generate greater returns.

A variety of economic factors are contributing to the current refinancing boom.

Despite recent market fluctuations, rates have remained low by historical standards and far below the double-digit levels of 1990. In fact, mortgage rates have varied this year by only six-tenths of 1%, from 6.6% to 7.2%, creating the steadiest rate environment in two decades, Gumbinger said.

At the same time, housing values have risen, improving the climate for exchanging mortgages. During the last year, prices across the Southland have jumped, prompting more consumers to refinance. Median prices have risen nearly 11% in Ventura County, 9.7% in Orange County and 5.2% in Los Angeles County, said Axciom/DataQuick Information Systems Inc., a La Jolla real estate research firm.

The same pattern has emerged statewide. California homes surpassed their pre-recession peak earlier this month as a strong economy and a home-buying boom have pushed up values.

Through the first nine months of the year, refinancing volume in Los Angeles and Orange counties hit $35.5 billion, nearly triple the year-earlier rate, according to Axciom/DataQuick.

Lending Process Gets Easier, Faster

While homeowners have flooded the market looking to refinance, they also find themselves bombarded by lenders soliciting their business.

Today, mortgage rates are advertised in newspapers, on television and radio, through conventional mail and e-mail, and displayed on electronic billboards along Southern California freeways.

Many lenders also have **Internet** sites, at which customers can plug their numbers into a calculator to see whether it makes sense to refinance and, if it does, apply for a loan **online**. Other sites will send an e-mail alert when rates have dropped to a desired level. Still others allow homeowners to browse rates from several brokers.

No longer are customers required to meet in person with a loan officer. Those without computers can call their broker, relay their information over the phone and learn within minutes whether their loan has been approved. Computers, generating forms that used to be typed out, now fax or mail the forms to individuals in an instant. Some lenders even send messengers to a person's home or office, or waive appraisals for repeat customers, streamlining the process further.

Gary and Kathy Rigdon simply call Greer, their lender, who sends them an already-completed application, requiring little more than their signature. They have refinanced four times since 1995 and have another **application** pending on a 30-year **loan** that's expected to close Monday, trimming their rate to 7.125% from 7.6%.

The Huntington Beach couple, who have five children, intend to consolidate their debts and make accelerated payments so their home loan can be repaid by the time Gary retires in 13 years at age 60.

"If it saves $50 a month, it's worth refinancing," Kathy said. "Instead of buying a new car, we apply that money to the mortgage and it pays off the principal faster, saving us interest."

The refinancing boom has many mortgage lenders across the Southland--and other companies that feed on the real estate industry--expecting to report record results this year. During the last three months in particular, financial institutions said, they have been overwhelmed with customers.

ⓘCountrywide Home Loans Inc. of Calabasas, the nation's largest independent home mortgage company, totaled $625 million in applications per day and a $15.9-billion backlog at the end of September, an all-time record. Tricor Mortgage Co. of Huntington Beach received 2,500 inquiries a day, more than double its normal volume, causing the company to cut back its advertising.

"It looks like our best year ever," said John Gatzke, a senior vice president at Downey Savings & Loan in Costa Mesa. He expects the thrift to process $2.3 billion in refinanced mortgages this year, about 70% of its overall loan production. That compares with as much as 55% in previous years.

Refinancing Boom Expected to Continue

Title companies also have been absorbing their share of growth. First American Financial Corp. of Santa Ana, the nation's largest title insurer, has reported five consecutive record-breaking quarters. ⓘFidelity National Financial Inc. of Irvine also has announced record earnings and revenue for the quarter and nine-month periods ended Sept. 30.

Mortgage rates aren't expected to rise dramatically in the coming months, leading analysts to believe the surge in refinancings will continue.

"As long as rates remain low, we'll be in a refinancing boom," said David Lereah, chief economist of Mortgage Bankers Assn. of America.

(BEGIN TEXT OF INFOBOX / INFOGRAPHIC)

Refi Madness

With mortgage rates on the decline, refinancing activity in Los Angeles and Orange counties hit $35.5 billion through September, nearly triple last year's rate. Here's a look at refinance volume in the two counties over the past eight years.

1998, September: $4.5 billion

*

Comparing Costs

In the example below, a no-cost refinance home loan would shave $85 a month and nearly $90,000 in interest over the life of a 30-year loan. Both amounts are less than a traditional refinance loan, but there are no out-of-pocket expenses. Here's a comparison of the costs and savings on both types of loans for a home valued at $250,000 with 80% of the price being financed. The current monthly payment is based on a loan amount of $200,000 at 7.75% for 30 years.

(Textual Table Omitted)

Cash Required to Close

(Textual Table Omitted)

Sources: Western Capital Mortgage, Axciom/Dataquick Information Services

Arithmetic of Refinancing

Would a refinance pay off for you? The only way to find out for sure is to figure out how much you'd pay in transaction fees and compare that with how much you'd save on you monthly mortgage payment. Here's a work sheet to help determine the costs and potential savings.

The Costs:

Points

Application fee

Appraisal fee

Attorney fee

Credit report

Hazard insurance

Home inspection

Loan origination fee

Mortgage insurance

Recording fee

Survey fee

Title insurance

Underwriting fee

Other

Total cost

*

The Payback

1. Current monthly payment

2. New monthly payment

3. Monthly savings (Subtract Line 2 from Line 1)

4. Tax cost (Multiply Line 3 by your combined state and federal tax rate)

5. Net savings (Subtract Line 4 from Line 3

6. Break-even (divide total cost by Line 5 to determine how many months it will take to pay off the cost of refinancing)

7. Number of months you play to stay in the house

* Excerpted from "Kathy Kristof's Complete Book of Dollars and Sense"

(BEGIN TEXT OF INFOBOX / INFOGRAPHIC)

On the Web

Here is a sample of **Internet** mortgage sites:

American Bankers Assn: htt://www.aba.com

Consumer World: htt://www.consumerworld.org

Federal Home Loan Mortgage Corp.: htt://www.freddiemac.com

Federal National Mortgage Assn.: htt://www.homepath.com

HSH Associates: htt://www.hsh.com

Mortgage Bankers Assn. of America: htt://www.mbaa.org/consumer-info

Mortgage Loan Page: htt://www.loanpage.com

National Foundation for Consumer Credit: htt://www.nfcc.org

(BEGIN TEXT OF INFOBOX / INFOGRAPHIC)

Point by Point

Here's the avergae mortgage rate charges by Southland financial institutions on Friday based on the number of points--apercentage fee based on the size of the loan--a **borrower** pays to get a lower interest fee.

Points: 0

Combining loan (up to $227,150)

15-year: 6.48%

30-year: 6.83%

Points: 1

Combining loan (up to $227,150)

15-year: 6.23%

30-year: 6.58%

Points: 2

Combining loan (up to $227,150)

15-year: 5.98%

30-year: 6.33%

*

Points: 0

Jumbo loan (over $227,150)

15-year: 7.05%

30-year: 7.38%

Points: 1

Jumbo loan (over $227,150)

15-year: 6.80%

30-year: 7.13%

Points: 2

Jumbo loan (over $227,150)

15-year: 6.55%

30-year: 6.88%

* Source: Mortgage News Co/

Textual Illustration:

Caption: PHOTO: Daniel Mayeda, Susan Rosales and their daughter, Kasey. Mayeda has refinanced three times in the last two years.; PHOTOGRAPHER: PAUL MORSE / Los Angeles Times; GRAPHIC: Refi Madness, Los Angeles Times; GRAPHIC: Arithmetic of Refinancing, Los Angeles Times; GRAPHIC-TABLE: Point by Point, Los Angeles Times

Credit: TIMES STAFF WRITER

SEARCH FOR BEST-DEAL MORTGAGES IT PAYS TO NEGOTIATE CLOSING COSTS; [STATEWIDE Edition]

STACY WONG, *Courant Staff Writer*. **Hartford Courant**. Hartford, Conn.: Apr 18, 1999. pg. J.3

» **Jump to full text**

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Abstract (Article Summary)

Most people try to lower their costs by shopping for loans that don't carry upfront interest, known as points. But experts say mortgage shoppers shouldn't overlook potential savings on the closing fees, which include **loan application** fees, attorney fees, **title insurance** and commitment fees.

By comparing lenders' estimates and negotiating firmly, **borrowers** might be able to lower, or in some cases eliminate, the fees. Experts said those with clean credit records and good incomes, or who want to refinance or buy second homes, stand the best chance of scoring fee reductions or waivers.

And closing fees do vary by lender. In perusing the Hartford area and **online** mortgage markets, The Courant found closing feeestimates as low as $1,750 and as high as $3,440 for a loan on a $150,000 West Hartford home.

Full Text (1751 words)

Thousands of dollars in closing fees might seem like pennies next to a $150,000 mortgage, but why fork over the money when it can stay in your pocket?

Most people try to lower their costs by shopping for loans that don't carry upfront interest, known as points. But experts say mortgage shoppers shouldn't overlook potential savings on the closing fees, which include **loan application** fees, attorney fees, **title insurance** and commitment fees.

By comparing lenders' estimates and negotiating firmly, **borrowers** might be able to lower, or in some cases eliminate, the fees. Experts said those with clean credit records and good incomes, or who want to refinance or

buy second homes, stand the best chance of scoring fee reductions or waivers.

"I didn't know you could do that," said Joanne Swinsick of Bristol, who paid closing fees on three homes she bought over the years.

That was before she and her husband Thomas refinanced their Bristol home in 1997, and found a Massachusetts mortgage broker who would pay all the closing fees while still charging a reasonable loan rate.

The broker, Coastal Mortgage Company of Buzzards Bay, Mass., also absorbed the closing fees when the Swinsicks refinanced again last November.

Before finding Coastal, the Swinsicks talked to several lenders offering loans in the Hartford area about cutting their closing fees.

"They just weren't into it," Joanne Swinsick said. "You had to pull the information out of them."

As the Swinsicks learned, some lenders will negotiate and some won't, but it pays to be persistent. The payoff can mean saving hundreds of dollars or more.

"The fees and costs and interest and points are part of the total negotiating package," said Gary Eldred, author of "106 Common Mistakes Homebuyers Make."

"You think about it when you go in," he said. "It's really a question of, `How we can get the entire package for our financing at the lowest possible cost?'"

And closing fees do vary by lender. In perusing the Hartford area and **online** mortgage markets, The Courant found closing feeestimates as low as $1,750 and as high as $3,440 for a loan on a $150,000 West Hartford home.

None of the lenders volunteered information on reducing fees. When asked, one lender's representative said fees were officially non negotiable, but unofficially, "let me see what I can do for you."

Some lenders said there is not a lot of room to maneuver when it comes to closing fees because they are based on actual costs. But it doesn't hurt to ask.

"The consumer can dicker and negotiate whatever they can get," said Gary Snow, area market manager for Fleet Mortgage in West Hartford. "Some lenders will be non-negotiable, some will waive one fee and charge more on another."

He said Fleet typically does not negotiate, but has refunded specific fees in cases where there were legitimate customer satisfaction complaints.

"Get a copy of a lender's good faith estimate and compare it line by line to make sure you are comparing apples to apples," said Waldo Williams, vice president of residential lending at People's Bank. "One fee might be lower and another might be higher to make up that difference."

Eldred said **borrowers** who have good credit can negotiate waivers or reductions because it is easier to get their loans approved. Coastal's general manager, Robert Tourigny, said his company's "no- points, no-fees" loans are offered only to homeowners who have good credit.

His company specializes in refinancing, but it occasionally grants no-fee loans to first time homebuyers, he said.

He, like other lenders, said it is easier to waive or reduce closing fees for people who refinance or buy second homes. These **borrowers** already have a payment history and generally good credit, so they are desirable customers that lenders want to keep.

Eldred also recommends negotiating with mortgage brokers, who are paid commissions by lenders to bring in loan business. The amount is usually a percentage of the loan amount. Eldred said that on a $200,000 loan that commission could be as much as $4,000, or 2 percent.

Homebuyers might ask homesellers to pay some of the closing fees, but that may be difficult in a hot market like the one the state is in right now, because some owners don't have to bargain to sell their homes.

Buyers who are concerned about reducing their overall closing costs can consider rolling their fees into their mortgage, even though it may mean slightly higher monthly mortgage payments. Or they might take advantage of programs offered by employers and municipalities that defray closing costs to encourage home ownership. Low income buyers may also qualify for certain programs.

Williams said zero point loans, which charge a slightly higher rate in return for paying less money at closing, are still good deals despite recent increases in mortgage rates.

Eldred said such loans make sense for people who don't expect to live in a home for more than five years, or who lack the big cash reserves needed for closing.

Be aware that comparison shopping isn't always easy. Estimates can vary widely, and fees aren't always given the same names.

During The Courant's perusal of the mortgage market, one lender's "loan origination fee" was another's "lender fee." Sometimes **title insurance**, which is required in case someone contest a home's ownership, was quoted as a single number, sometimes as a rate, typically $3.50 per $1,000 of the home's price.

It pays to sit down and do the math to figure out how the estimates compare. Sometimes, the overall fee package may be low as a way to lure buyers, but the mortgage loan rate may be higher, Eldred said.

Those who can't get fees waived should still shop hard to avoid paying more than necessary because fees tend to be higher in Connecticut, said John Clapp, a professor with the University of Connecticut Center for Real Estate.

"You don't necessarily go to the corner lender," he said. "You can search more widely for loans on the **Internet** or the listing of lenders in the paper."

One on-line mortgage broker, the San Francisco-based HomeShark Inc., had a lender that quoted the highest closing fees The Courant found during its perusal of the mortgage market.

But the lender, InterFirst, also offered a rebate that negated the $3,440 in closing fees it charged. The Web site notes rebates aren't always available.

"One of the things we have found is that people have been disappointed and shocked that quotes don't disclose all the fees," said Lance Alarcon, HomeShark's product manager. "We wanted to take that sticker shock out of the process."

HomeShark, for example, researched attorney fees in Connecticut and lists them at $900, significantly more than the $400 to $700 quoted by most lenders.

Andrew Lubin, chairman of the Connecticut Bar Association's real property section, considers those quotes on attorneys fee to be high. But he also cautioned against shopping for an attorney on price alone.

"Everyone tries to economize on costs no matter what they're doing, but more often than not you get what you pay for," he said. "You can find a whole different series of fee structures, but price should not be the prime motivating factor."

Feesfor any service depend on circumstance, he said. Some larger or older homes may cost more to appraise; some need more work to establish a clear title.

Robert Ross, president of Secrity National Mortgage Corp. in East Norriton, Penn., which offers mortgages in Connecticut, said buyers who get inflated closing bills should notify the state bank examiners.

There's no margin a lender has to stick to for closing fees, but consumers are encouraged to call notify the state Department of Banking if they think their bill is overinflated without reason, said David Tedeschi, department spokesman.

But at some point, said Eldred, the author, homebuyers shouldn't lose sight of the big picture worrying over a few hundred dollars.

"The important thing is to get a good house, at a good price and a good rate," he said.

Closing Fees

Here are some steps consumers can take some steps during the loan search to minimize their closing fees and head off an unpleasant surprise at closing:

* Try calling various lenders too see if they will beat your latest mortgage loan offer. Just be sure you're not offered a reduction in fees but an increase in loan rate.

* If a fee seems low in comparison to other estimates you've gotten, ask why. A lender may be lowballing some fees and increasing others, or some lenders might give ballpark fees that aren't in line with reality.

* You should review the final settlement statement on closing costs at least one day before closing, but ask your lender if you can get the statement two or three days before. That will give you more time to compare the settlement statement with your good faith estimate. Costs may vary, but if there is a big disparity, such as a $100 flood certification fee when the range is $17 to $25, notify your lender at once.

* If the closing fees are significantly higher than those provided on your good faith estimate, and there's no reason for the increases, notify the state Department of Banking's consumer credit division at (860) 240-8200, or toll free at 1-800-831-7225. You can also complain via the department's Web site at www.state.ct.uc/dob. You may also check the Web site to see if your lender or mortgage broker is licensed by the state.

Closing On The Web

The **Internet** has a growing number of Web sites devoted to helping people searching for a mortgage. The following government sites are good starting points for those seeking information on closing costs:

www.fanniemae.com Head into the HomePurchasePath section and click on "Closing on Your Home." This portion offers a closing costs worksheet buyers can use in totalling up their own cost estimates. The worksheet includes columns for separating costs paid by the buyer and the seller.

www.freddiemac.com The section on closing costs leads to the Homefair.com site, which includes a comprehensive explanation of every closing cost item a buyer would run into. At the end, the site shows sample fee ranges for mortgages in two sizes, $50,000 and $150,000.

www.hud.gov Web browsers can download information on closing costs under the "Buying You Home" section of this website, which is maintained by the U.S. Department of Housing and Urban Development. There's also a "**Borrower's** Bill of Rights" that outlines rights **borrowers** have before they enter into loan agreements.

GETTING A MORTGAGE ON-LINE CAN BE FRUSTRATING ALTHOUGH WEB SITES ARE MULTIPLYING, CONSUMERS ARE FINDING IT'S NOT AS EASY AS IT SOUNDS; [CHICAGOLAND FINAL Edition]

Karen Hube, The Wall Street Journal. **Chicago Tribune**. Chicago, Ill.: May 5, 1999. pg. 3

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Abstract (Article Summary)

The **Internet** is revolutionizing mortgage shopping, enabling **borrowers** quickly to get an overview of the market and detailed information about rates, points, closing costs and monthly payments. "The good news is that these sites have demystified the whole mortgage process," says James Punishill, an analyst at Forrester Research in Boston.

Full Text (937 words)

When Mark Stailey decided to refinance his mortgage last year, he was amazed how easy it was to find competitive mortgage deals on the **Internet**.

Things fell apart, though, when the 35-year-old Danville, Calif., resident tried to apply on-line for the deals he found.

"I filled out two on-line applications and never heard back from the lenders," says Stailey, president and chief operating officer of Insmark Inc., a financial software marketing firm. He finally resorted to calling and using a third lender whose deal he spotted on-line.

The **Internet** is revolutionizing mortgage shopping, enabling **borrowers** quickly to get an overview of the market and detailed information about rates, points, closing costs and monthly payments. "The good news is that these sites have demystified the whole mortgage process," says James Punishill, an analyst at Forrester Research in

Boston.

But that doesn't mean getting your mortgage on-line is guaranteed to be easier or cheaper than dealing with a lender over the telephone or in person. On-line surfers may encounter glitches or "bugs" in the programming that can result in trouble navigating through the **application** process or erroneous **loan** information.

Even the biggest on-line mortgage companies may not be problem- free. Recently, ⓘE-Loan of Dublin, Calif., among the most popular sites, included a $1,150 **title insurance** fee in its estimated closing costs on a loan for a property in Michigan. But it turns out that in Michigan, the seller pays that fee, not the buyer.

And when it comes to finding the best deal, "the **Internet** is not necessarily a panacea for pricing," says Keith Gumbinger, vice president of HSH Associates, a Butler, N.J., mortgage-tracking service. You might find a better deal at your local bank, "and then again, you might not," he says.

Just making comparisons may not be as simple as it seems. Recently, for instance, someone wanting to borrow $240,000 to purchase a $300,000 home in Michigan could have gotten the same rate through ⓘE-Loan and a traditional mortgage broker. Both ⓘE-Loan and Home Loan Specialists of Livonia, Mich., owned by Lender Ltd., were quoting a rate of 6.875 percent with zero points for a 30-year fixed- rate loan.

Home Loan Specialists seemed to have the edge, however, because E- Loan's estimated closing costs were listed as being significantly higher. But after taking into account the $1,150 fee that ⓘE-Loan erroneously included in its estimate, the on-line company's closing costs were about $200 lower.

Some of the best on-line deals may be offered by a lender you have never heard of. "It's difficult to tell whether you're dealing with a small mom-and-pop operation or a hugely capitalized firm," says Gumbinger.

If you find an on-line deal you like, you can only get so far trying to point and click your way to a loan: After applying on-line, **borrowers** must conduct the rest of the process through the mail, over the phone or by fax.

Such problems, and consumers' hesitance to offer personal information about themselves on-line, accounts for the fact that fewer than 10 percent of on-line mortgage shoppers are actually applying for a mortgage on the **Internet**. But some analysts say the market is poised to erupt: The volume of loans originated on-line is projected to explode to $250 billion by 2003 from $4 billion last year, according to a January study by ⓘDeutsche Bank Securities.

E-mortgage "companies are furtively working to fix problems," says Punishill. "The process will get better and better every year."

Some on-line sites, such as iQualify.com, owned by Finet Holdings Corp., an electronic-commerce company in Walnut Creek, Calif., have tried to simplify the application process by requiring fewer documents from the **borrower**. For example, says president Dan Rawitch, "We don't require tax returns."

So far, most of the largest traditional lenders have been slow to develop their Web sites, says George Yacik, vice president of SMR Research Corp. in Hackettstown, N.J. "Only one-third actually allow people to apply on-line," says Yacik.

Indeed, the on-line mortgage world is filled with names that most **borrowers** have probably never heard of or never associated with mortgages, such as ELoan, Mortgage.com, ⓘIntuit Inc.'s Quickenmortgage.com, iOwn.com (formerly HomeShark.com), ⓘMicrosoft's HomeAdvisor, iQualify.com, Finet's Interloan.com and Mortgagebot.com., a unit of M & I Mortgage Corp.

Some, like Mortgage.com and Mortgagebot.com, are direct lenders, which means they underwrite loans themselves.

Others, such as Keystroke Financial and Interloan, are brokers. They troll for the best deal for consumers and process the applications.

Yet others are essentially referral services or matchmakers. They find a loan for a **borrower** and then step out of the process. Among these are ⓘMicrosoft's HomeAdvisor and Finet's iQualify.com.

Then there are mortgage auction sites, such as the Lending Tree and Priceline, which solicit bids from lenders based on a consumer's profile.

Most sites charge a fee or a percentage of the loan when a **borrower** applies. Most, such as Quickenmortgage.com, which charges $250, say their fee is rebated at closing.

But, Gumbinger says, "nobody in this world that I'm aware of is providing an absolutely free service."

He suggests that **borrowers** check out on-line services by getting "in touch with licensing authorities in (the service's) own state," or with the state mortgage or banking regulator. "Never send money or reveal any personal information about yourself before you understand the company," he says.

Additionally, be sure you understand what the Web sites are promising, he says. Some advertise "approval" within minutes, when in fact "approval in minutes probably has an arm's-length list of conditions," says Gumbinger.

[Illustration]
PHOTO; Caption: PHOTO: Think everything you need for an on-line mortgage is right at your fingertips? Think again. Tribune file photo.

E-commerce goes commercial

Steve Bergsman. **Mortgage Banking**. Washington: Feb 2000.Vol.60, Iss. 5; pg. 30, 6 pgs

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Innovation in the commercial real estate lending markets seems to lag residential real estate lending by a decade. Securitization, the last big strategic turn for commercial real estate, popped up on radar screens in the early to mid-1990s, a good 10 years plus after its counterparts in residential embraced the concept. Last year the **Internet** took hold in the commercial real estate finance sector. Several ambitious multilender Web sites are vying for loan business today. E-commerce promises to bring speed and efficiency to the far-flung and complex commercial mortgage lending field.

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INNOVATION in the commercial real estate lending markets seems to lag residential real estate lending by a decade. Securitization, the last big strategic turn for commercial real estate, popped up on radar screens in the early to mid-199os, a good lo years plus after its counterparts in residential embraced the concept.

For the **Internet**, two years can be a lifetime-and that's about how long it's taken for commercial real estate lenders to carve out an e-commerce presence after the first residential lending companies began showing up on the World Wide Web.

Think of it this way: Dublin, California-based E-LOAN, Inc., for example, was founded in 1996. It took until 1999 for the first multilender, commercial Web sites and the first sites capable of taking **loan applications** to appear. Denver-based DataMerge, Inc., basically a software company, launched its CyberLoan site in February. Over the next ii months, out tumbled C-LENDER.com, LoopLender, Redbricks.com and COMPSCapital.

"Innovation is always in the residential arena first," observes Joe Rubin, a partner with New York-based E&Y Kenneth Leventhal Real Estate Group who is helping clients develop e-commerce strategies. "Then it migrates over to the commercial side. Commercial trails residential because it is a far more complicated asset, land] it is usually a larger and more complex transaction. In e-commerce, the lag time has been very short."

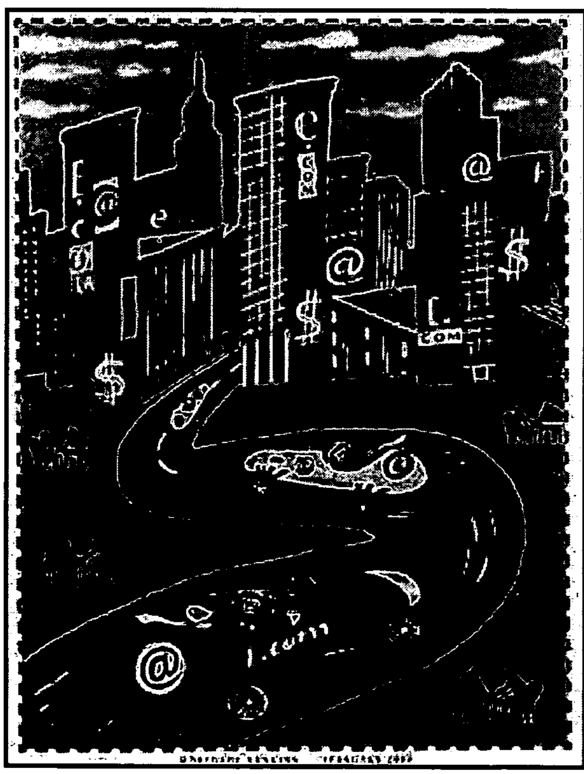
Despite the pioneering efforts of 1999, Rubin suspects the year 2000 will be the one in which commercial lending e-commerce comes into its own.

"In 2000, all the major commercial mortgage lenders are going to be coming up with an e-commerce strategy, and most will be using **Internet** technology for some portion of their lending business," he says. "We are looking at e-commerce solutions for all the different processes-origination, underwriting, aggregation and other services."

Traditional commercial real estate lenders haven't quite discovered their place on the **Internet** yet. The first step for many of them has been simply to be listed as a capital source on the multilender sites. So you find LoopLender, for example, signing up about 30 leading lending institutions including such well-known names as ARCS Commercial Mortgage, Finova Realty Capital, GE Capital Real Estate, KeyBank, Bloomfield Acceptance Corporation and Morgan Stanley Dean Witter and ABN AMRO Bank.

Adjusting to the **Internet**

"We, like everyone else, have no idea what effect the **Internet** will have on our specific business," says Shekar Narasimhan, chairman and chief executive of Vienna, Virginia-based The WMF Group Ltd. "It can either be viewed as a challenge, threat or opportunity."



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The WMF Group decided to be proactive in regard to the **Internet**, and that has meant three avenues of approach. First, it chose to be visible on all the sites that it considers a good provider of products to the commercial real estate industry. As a result, it is now listed on numerous multilender sites including CyberLoan and C-LENDER.com. Second, it will have a small but dedicated group (with one full-time position) in-house that will focus on e-commerce strategies. Third, it has made a direct investment in an **Internet** startup, the multilender, e-loan company Redbricks.com. The WMF Group owns 15 percent of Redbricks.com.

"The latter accomplishes a couple of things for us," explains Narasimhan. "Instead of development cost, which is significant and expensed through the balance sheet, this is being expensed by someone else. We are a strategic partner, providing them with all the market information and industry knowledge. They operate the site and the content."

in 1998, $241 billion worth of commercial real estate loans were originated, says Lisa Max, chief executive officer of Bethesda, Maryland-based Redbricks.com. "Going forward, some analysts reported about 9.8 percent of commercial real estate loans will be originated on the **Internet**, so we're talking about $24 billion [considering 1998 numbers] if the volume of loans remains constant."

Today, a number of lenders-especially conduit lenders-have Web sites, but as Rubin notes, "almost none of them are functional." instead, these Web sites serve primarily as brochures where one can get information but not conduct business **online**. Then there are the multilender Web sites, where a person can input the characteristics of the real estate and the site will match the property with a lender. "All of this is really just [a] portal," says Rubin. "None of it is actually making an application and having it analyzed, underwritten and approved **online**. It's sort of front end, and then it's a return to the old process of doing business. We are not being fully functional **online**," he says.

Still, Rubin is very optimistic about the potential of the **Internet** for commercial real estate lending. He predicts that by the year 2005, the vast majority of commercial mortgages will have some part of their origination and underwriting process done **online**. "There will be several major portals out there, and they will capture a significant market share," he says.

Considerable demand

Since multilender Web sites in commercial real estate lending went **online** only this year, not a great amount of deal making has been concluded. The interest, however, indicates a lot of pent-up demand. More than one of the new multilender Web sites report the volume of **loan applications** completely swamped initial estimates.

C-LENDER.com, which unveiled its Web site in July, reported doing $200 million a month in **loan applications** by October. I thought it would take a lot longer to ramp up," says Dean Walker, a vice president with the company.

Spencer Kluesner, chief executive officer of DataMerge, notes that his company anticipated about $200 million in **loan applications** a month. After the first six weeks, it boasted $665 million. In July, the company's CyberLoan Network announced **online loan applications** had topped si billion-a volume that exceeded company expectations by 82 percent.

"If you think about residential, you are really doing a lot of scoring of the credit of the individual buying a house," says Redbricks.com's Max, "and in commercial there is much more reliance on due diligence and risk analysis of the asset, so there is a more involved underwriting process. But over time, a lot of these processes will be automated, and for a tier of commercial real estate, we will be automating and streamlining."

CYBERLOAN NETWORK

The old DataMerge company and its Web site, once known as Financing Sources.com, are now called CyberLoan.com. Its product name is still called CyberLoan Network, which was launched in February@ giving it a jump-start over everyone else. The company now does about si billion a month in **loan applications** and is on track, says Kluesner, to do $12 billion this year. The volume of originations (loans closed) runs s16o million per month, according to Kluesner.

CyberLoan receives input from potential clients and matches that to the underwriting criteria of lenders. According to Kluesner, 500 lenders accept **loan applications** through CyberLoan, but by the time the input goes through the screening process, the project may be down to three to io lenders. Among the many lenders involved with CyberLoan are The WMF Group, Deutsche Bank, GMAC, AMRESCO, Transamerica Corporation, Bank of America, Heller Financial, Morgan Stanley and Allied Capital.

"If you are a potential **borrower**, your input on a long application will be sent to a lender and then transmitted electronically within the lending institution," explains Kluesner. "it will be routed to the right person. We have a routing technology that nobody else has."

"From a philosophical point of view," he adds, "we don't see ourselves as brokers standing in the middle trying to get a piece of what comes through-we are a technology company. Our focus is on the lending process and enhancing that-not pulling deals through and making points on it."

If a deal closes, CyberLoan does make a percentage on it. As Kluesner notes, "We are the only ones that charge for access to our system, and that ensures quality."

In September, DataMerge announced it began licensing technology from the CyberLoan Network to individual lenders for use on their own Web sites, through a new product called CyberLoan Virtual Lender (CVL). CVL works much like the CyberLoan Network, except that it runs on an individual lender's Web site and transmits **loan applications** exclusively to that lender. The first installation was licensed by San Francisco-based United Commercial Bank, the largest lender to the Chinese-American community.

By using CVL, lenders save on the cost and time to develop their own **online** technology, says Kluesner. This also means DataMerge is not relying solely on its Web site to bring in the dollars. "This is where the money is," says Kluesner. I don't know what the others are doing. It's a big industry, but I don't know how they all will survive."

LoopLENDER

San Francisco-based LoopNet, Inc., was founded in 1995 as a multiple listing service for commercial real estate, attracting go of the top ioo commercial real estate brokerage organizations to list their properties. From that point, it just made sense to migrate to the creation of LoopLender, says John Gough, managing director for LoopLender. "We are one of the few multilender platforms out there that has a database of property listings behind us," he says. "It gives our lenders access to the investor property market."

LoopLender matches **borrowers** and lenders **online**. The service, which is free for **borrowers** and brokers, offers a single platform to obtain relevant loan information from all of its lending institutions. Potential clients can review lender information tailored to their specific loan criteria and submit a loan request.

In what is becoming a crowded marketplace, LoopLender hopes to differentiate itself from the competition not only with property listings, but with what it calls the human element. "We are the only site out there that has a dedicated analyst and production team that goes through each loan request; sizes the deal; collects additional **borrower** information, operating statements and constructions budgets; and finally, puts the full loan package together and e-mails it to the lender," says Gough.

LoopLender gets about $500 million a month in loan requests into the system, but it filters out about 40 percent of that-so what is passed on is $300 million a month, according to Gough. After five months in business, LoopLender has begun closing its first deals. "We are starting to see a large chunk of loans in the commitment phase," says Gough. "When I look at the deals that have closed, it has been with a good mix of lenders-including commercial banks, savings and loans and Wall Street conduits."

As noted earlier, LoopLender has a relationship with close to 30 lenders, including Column Financial, GE Capital and Southern Pacific Bank.

LoopNet has already introduced LoopLender 2.0, which integrates five additional financing programs-including construction loans, bridge/short-term loans, mezzanine/second loans, equity loans and SBA loans-and five more property types-including mobile-home parks, seniors' housing, self-storage, convenience stores and mixed-use properties.

"Some of the other Web sites are solely relying on technology, and they hope just the matching of **borrowers** and lenders is going to work without a human element," says Gough. "As we came up the learning curve, we found you really do need the human element in order to make the deals work,"

CLENDER.COM

The story of the development of C-LENDER.com is a bit convoluted. The parent company, Pleasant Hill, California-based Property Sciences, Inc., is one of the largest appraisal companies in the United States. It eventually began publishing a magazine called Commercial Lender. When that was up and running, the company decided to hang it on the Web. Since it began to develop as an **Internet** resource for mortgage brokers, the next step was to develop the site for e-commerce.

C-LENDER.corn was launched in July, using 14o databases but only eight dedicated lenders. That number will grow fairly quickly, says C-LENDER.com's Walker. As of October, the company's run rate for **loan applications** climbed to $200 million a month. "After talking with our lenders, we discovered the percentage of closings from **online** applications is close to the rate from more traditional channels, which I believe is about io percent,"Walker says.

The structure at the C-LENDER.com Web site is simple. A potential client fills out a two-page questionnaire that asks such things as specific property type, location, size, occupancies, income, etc. From there, the site allows the potential client to search the database to find out which lender is interested in that type of property, based on the parameters entered. Then the person can submit to several lenders, which then quote a rate.

C-LENDER.corn gives visitors to the site the ability to search for loans by type, interest rate preference, loan-to-value and other key factors. Or certain lenders can be directly targeted. Visitors can also find the on-site version of Commercial Lender.

While the primary focus of most other commercial real estate-lending Web sites is property owners, C-LENDER.com emphasizes mortgage brokers. Although property owners and developers are not excluded from the site, most of the traffic to C-- LENDER.com is coming from mortgage brokers.

"In the commercial market, we think the mortgage broker is still going to be a vital component in securing funding for commercial transactions," says Walker. "The residential market is changing pretty quickly, and people are now going onto these Web sites and submitting their loan request. The commercial market is so much more complex. For a partially completed mall in central California, it is much more difficult for the property owners to figure out which type of lender is going to want to do that deal, and to package that information correctly. So, we think brokers are still going to be heavily involved in the transaction."

REDBRICKS.COM

Redbricks.corn was launched in November, billing itself as "the next generation of e-commerce for the commercial real estate industry." From its site, property owners can access multiple lenders that will originate and process real estate loans **online**. **Borrowers** can visit the site 24 hours a day, seven days a week, to see exactly where they are in the process.

Visitors to Redbricks.com can receive real-time, instant preliminary quotes and current pricing, submit **loan applications** electronically and manage **loan applications** from origination to closing. The site also offers ancillary services such as news (it has links to a news feed), employment listings, market data (14 current interest rates that are published on site) and links with many major trade associations. It can produce property-specific market reports and location maps.

For the lending activity, Redbricks.com was able to initially bring on board 21 lenders, including ⓘL.J. Melody & Co., as well as players such as ⓘFannie Mae and ⓘFreddie Mac.

"We decided early on that the transaction system would also link all the ancillary service providers that are involved in the due diligence process-so that bids, request for quotes, etc., could all be tracked and managed on the site," says RedBricks.com's Max. "**Borrowers** and lenders don't have to call each other up and ask, 'Is the appraisal done?,' "Did the **title insurance** get issued?' or 'Where is the environmental report?' Everybody is now linked on this system."

Eighteen of the largest service providers are on the site.

Redbricks.com is nothing if not ambitious, planning a

whole slew of new services and products. "At the end of the day, we hope the building owners will be our customers-so part of our strategy is to take those properties that come through our site for financing and then to maintain those properties as our customer base by offering new services," says Max. "We also plan to streamline more the due diligence, underwriting and securitization process, and link the information we are providing closer to the time that the properties are put up for sale."

In addition to being the starting point for all commercial real estate business, Max envisions constructing an **online** sector community. "Real estate is all about relationships and the ability to share information. Imagine reading what other **borrowers** have to say about a specific lender before submitting an application," she says. "At Redbricks, you can."

COMPSCAPITAL

As of mid-November, the COMPSCapital Web site was up, but the e-commerce platform wasn't yet functioning. "We will roll it out before the end of the year," says Herb Steele, a vice president with San Diego-based COMPS.COM, Inc., the parent company of COMPSCapital.

COMPS.COM got its start 17 years ago identifying and distributing information (price, condition of sale, comps, etc.) on residential properties after a transaction. About a year ago, COMPS.COM moved to full **Internet** delivery, and now it will offer three **Internet** strategies. The first is still the listing service, which now totals almost 8 million properties across the United States. Second, the company acquired RealBid LLC, which is what Steele calls a "broadcast" service where brokers can post properties for sale so the information can be sent to about 500 investors on any given broadcast. The third strategy involves financing and the development of COMP--SCapital.

The COMPSCapital site provides **borrowers** or their agents with an e-commerce platform for access to a comprehensive database of commercial real estate lenders. Potential clients can search for loan programs that match their loan requirements, then select the best available program and submit a loan request. Lenders can specify current program guidelines and pricing to ensure that loan requests meet their current lending criteria, easily qualify loan requests as they are submitted and process a **borrower's** request without undue delay.

COMPSCapital has initially signed up about a dozen lenders to be part of its service base, according to Steele. "There are a good number of lenders out there that are much more ready to adopt the **Internet** than we first expected would be the case," says Steele.

A lot of those lenders have already created relationships with other e-commerce mortgage companies. How does COMPSCapital hope to compete?

"In contrast to the other e-commerce companies in this field, we have a listing service-and probably between it and RealBid, we have better than sio billion in properties that are available for sale," says Steele. "So we are able to supply lenders in the marketplace with information that others are not able to supply."

Given the market's size, there is room for all the current **online** mortgage companies, says Steele. "We are all operating a little different model, and there is room for all of us to grow." At this point, there's uncertainty about the degree to which the industry will adopt the **Internet**. So Steele expects business volume will be small for all the **online** competitors at the start-"but we have exceptional opportunities to grow," he says.

Going forward

The **Internet** will eventually cause dislocations in the commercial real estate industry, and undoubtedly, many of today's players won't survive the turmoil.

"Intermediaries who are able to adapt to the technology and leverage the capabilities of the technology successfully will be able to do more volume and work more efficiently," says Max. "Others will have to figure [out] a role where they can add value, and over time some of the smaller players in the market will have a harder time competing as these new distribution channels open up."

The future of commercial real estate lending on the **Internet**? "It's going to become more interactive. And it's going to have to be much more than just a matching service," says LoopLender's Gough. "As to the level of activity, 20 percent to 25 percent of mortgage originations will happen **online**."

[Sidebar]
CENTRAL PARK CAPITAL
Like other commercial real estate lenders, Central Park Capital Lf, Atlanta, wrestled with the **Internet** conundrum. Is it a threat or an opportunity? And what sort of presence does the **Internet** require, if it requires one at all?
The commercial real estate lending industry really just joined the **Internet** world in 1999, as the first of the multilender Web sites were unveiled over the course of the year. Individual lenders, including commercial banks and mortgage bankers, also have a presence; however, some Web sites are merely billboards.
Central Park Capital, a wholly owned subsidiary of Univest Financial Group Inc., Atlanta, decided to offer nonrecourse, long-term, fixedrate commercial real estate loans through its Web site, www.cenprkcap.com. "We began to think about
the **Internet** and have discussions concerning it beginning in the fall of 1998, but we didn't make a real serious effort to do **online** lending until early spring 1999. The Web site went up in August," says Joe Mosley, chief executive officer of Central Park Capital. "it is such a new area with commercial real estate, we don't have any real goals established as yet!"
The most common approach taken by commercial real estate lenders continues to be a presence on one of the various multilender sites, but Central Park Capital wanted to create its own **Internet** identity and felt that on the multilender site the firm would be "blended in with others."
Since closing its first loan in March 1997, Central Park Capital has originated and closed more than IS loans with an aggregate balance of more than $1 billion. In 1999, its loan volume was only about $300 million for the year. Admittedly, Mosley says, "it wasn't our best year." The move to the **Internet** wasn't coincidental to performance, neither will it simply be a better marketing approach. Central Park Capital intends to make it a profit source. "We are out to originate loans and make money on the **Internet**," Mosley says.
Www.cenprkcap.com focuses on what the company calls small loans in the $250,000 to $2 million range. The rationale for the loan balance limitation was that smaller products are simpler and therefore better suited to the **Internet**. Generally, there are fewer moving parts, less tenants and the real estate is the primary asset of the **borrower**. There was also another key reason for the decision: By keeping the loans under $2 million, Central Park Capital wouldn't cannibalize its relationships with mortgage bankers. "We didn't want the mortgage bankers to think we were competing with them," says Mosley. Prospective **borrowers** have to supply a good deal of information on www.cenprkcap.com, but once they do, they can get a very realistic sizing of the loan, including a good indicative spread. Once the application is sent along electronically, a designated underwriter who reviews the **Internet** on a daily basis takes a look at the information. After going through a checklist, the underwriter sends an e-mail to the prospective **borrower** explaining what additional information may be needed, including supporting information. Once the underwriter is satisfied in the pre-due diligence period, the application is sent back to the **borrower** so it can be signed and returned with a deposit. After that, most of the back-end work is done in the traditional way, but the **borrower** is kept upto-date on the status of the loan via the **Internet**. Through November 1999, Central Park Capital hadn't yet closed on an **Internet**-originated loan, although Mosley says several were in process.

[Author Affiliation]
Steve Bergsman is a freelance writer based in Mesa, Arizona.

E-commerce Goes Commercial

BY STEVE BERGSMAN

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ILLUSTRATION BY NIGEL OWEN


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Adjusting to the Internet

"We, like everyone else, have no idea what effect the Internet will have on our specific business," says Shekar Narasimhan, chairman and chief executive of Vienna, Virginia-based The WMF Group Ltd. "It can either be viewed as a challenge, threat or opportunity."

The WMF Group decided to be proactive in regard to the Internet, and that has meant three avenues of approach. First, it chose to be visible on all the sites that it considers a good provider of products to the commercial real estate industry. As a result, it is now listed on numerous multilender sites including CyberLoan and C-LENDER.com. Second, it will have a small but dedicated group (with one full-time position) in-house that will focus on e-commerce strategies. Third, it has made a direct investment in an Internet start-up, the multilender, e-loan company Redbricks.com. The WMF Group owns 15 percent of Redbricks.com.

More than one of the new multilender Web sites report the volume of loan applications completely swamped initial estimates.

"The latter accomplishes a couple of things for us," explains Narasimhan. "Instead of development cost, which is significant and expensed through the balance sheet, this is being expensed by someone else. We are a strategic partner, providing them with all the market information and industry knowledge. They operate the site and the content."

In 1998, $241 billion worth of commercial real estate loans were originated, says Lisa Max, chief executive officer of Bethesda, Maryland-based Redbricks.com. "Going forward, some analysts reported about 9.8 percent of commercial real estate loans will be originated on the Internet, so we're talking about $24 billion [considering 1998 numbers] if the volume of loans remains constant."

Today, a number of lenders—especially conduit lenders—have Web sites, but as Rubin notes, "almost none of them are functional." Instead, these Web sites serve primarily as brochures where one can get information but not conduct business online. Then there are the multilender Web sites, where a person can input the characteristics of the real estate and the site will match the property with a lender. "All of this is really just [a] portal," says Rubin. "None of it is actually making an application and having it analyzed, underwritten and approved online. It's sort of front end, and then it's a return to the old process of doing business. We are not being fully functional online," he says.

Still, Rubin is very optimistic about the potential of the Internet for commercial real estate lending. He predicts that by the year 2005, the vast majority of commercial mortgages will have some part of their origination and underwriting process done online. "There will be several major portals out there, and they will capture a significant market share," he says.

Considerable demand

Since multilender Web sites in commercial real estate lending went online only this year, not a great amount of deal making has been concluded. The interest, however, indicates a lot of pent-up demand. More than one of the new multilender Web sites report the volume of loan applications completely swamped initial estimates.

C-LENDER.com, which unveiled its Web site in July, reported doing $200 million a month in loan applications by October. "I thought it would take a lot longer to ramp up," says Dean Walker, a vice president with the company.

Spencer Kluesner, chief executive officer of DataMerge, notes that his company anticipated about $200 million in loan applications a month. After the first six weeks, it boasted $665 million. In July, the company's CyberLoan Network announced online loan applications had topped $1 billion—a volume that exceeded company expectations by 82 percent.

"If you think about residential, you are really doing a lot of scoring of the credit of the individual buying a house," says Redbricks.com's Max, "and in commercial there is much more reliance on due diligence and risk analysis of the asset, so there is a more involved underwriting process. But over time, a lot of these processes will be automated, and for a tier of commercial real estate, we will be automating and streamlining."

CyberLoan Network

The old DataMerge company and its Web site, once known as FinancingSources.com, are now called CyberLoan.com. Its product name is still called CyberLoan Network, which was launched in February, giving it a jump-start over everyone else. The company now does about $1 billion a month in loan applications and is on track, says Kluesner, to do $12 billion this year. The volume of originations (loans closed) runs $160 million per month, according to Kluesner.

CyberLoan receives input from potential clients and matches that to the underwriting criteria of lenders. According to Kluesner, 500 lenders accept loan applications through CyberLoan, but by the time the input goes through the screening process, the project may be down to three to 10 lenders. Among the many lenders involved with CyberLoan are The WMF Group, Deutsche Bank, GMAC, AMRESCO, Transamerica Corporation, Bank of America, Heller Financial, Morgan Stanley and Allied Capital.

"If you are a potential borrower, your input on a long application will be sent to a lender and then transmitted electronically within the lending institution," explains Kluesner. "It will be routed to the right person. We have a

routing technology that nobody else has."

"From a philosophical point of view," he adds, "we don't see ourselves as brokers standing in the middle trying to get a piece of what comes through—we are a technology company. Our focus is on the lending process and enhancing that—not pulling deals through and making points on it."

If a deal closes, CyberLoan does make a percentage on it. As Kluesner notes, "We are the only ones that charge for access to our system, and that ensures quality."

In September, DataMerge announced it began licensing technology from the CyberLoan Network to individual lenders for use on their own Web sites, through a new product called CyberLoan Virtual Lender (CVL). CVL works much like the CyberLoan Network, except that it runs on an individual lender's Web site and transmits loan applications exclusively to that lender. The first installation was licensed by San Francisco–based United Commercial Bank, the largest lender to the Chinese-American community.

By using CVL, lenders save on the cost and time to develop their own online technology, says Kluesner. This also means DataMerge is not relying solely on its Web site to bring in the dollars. "This is where the money is," says Kluesner. "I don't know what the others are doing. It's a big industry, but I don't know how they all will survive."

LoopLender

San Francisco–based LoopNet, Inc., was founded in 1995 as a multiple listing service for commercial real estate, attracting 90 of the top 100 commercial real estate brokerage organizations to list their properties. From that point, it just made sense to migrate to the creation of LoopLender, says John Gough, managing director for LoopLender. "We are one of the few multilender platforms out there that has a database of property listings behind us," he says. "It gives our lenders access to the investor property market."

LoopLender matches borrowers and lenders online. The service, which is free for borrowers and brokers, offers a single platform to obtain relevant loan information from all of its lending institutions. Potential clients can review lender information tailored to their specific loan criteria and submit a loan request.

In what is becoming a crowded marketplace, LoopLender hopes to differentiate itself from the competition not only with property listings, but with what it calls the human element. "We are the only site out there that has a dedicated analyst and production team that goes through each loan request; sizes the deal; collects additional borrower information, operating statements and constructions budgets; and finally, puts the full loan package together and e-mails it to the lender," says Gough.

LoopLender gets about $500 million a month in loan requests into the system, but it filters out about 40 percent of that—so what is passed on is $300 million a month, according to Gough. After five months in business, LoopLender has begun closing its first deals. "We are starting to see a large chunk of loans in the commitment phase," says Gough. "When I look at the deals that have closed, it has been with a good mix of lenders—including commercial banks, savings and loans and Wall Street conduits."

As noted earlier, LoopLender has a relationship with close to 30 lenders, including Column Financial, GE Capital and Southern Pacific Bank.

LoopNet has already introduced LoopLender 2.0, which integrates five additional financing programs—including construction loans, bridge/short-term loans, mezzanine/second loans, equity loans and SBA loans—and five more property types—including mobile-home parks, seniors' housing, self-storage, convenience stores and mixed-use properties.

"Some of the other Web sites are solely relying on technology, and they hope just the matching of borrowers and lenders is going to work without a human element," says Gough. "As we came up the learning curve, we found you really do need the human element in order to make the deals work."

C-LENDER.com

The story of the development of C-LENDER.com is a bit convoluted. The parent company, Pleasant Hill, California–based Property Sciences, Inc., is one of the largest appraisal companies in the United States. It eventually began publishing a magazine called *Commercial Lender*. When that was up and running, the company decided to hang it on the Web. Since it began to develop as an Internet resource for mortgage brokers, the next step was to develop the site for e-commerce.

C-LENDER.com was launched in July, using 140 databases but only eight dedicated lenders. That number will grow fairly quickly, says C-LENDER.com's Walker. As of October, the company's run rate for loan applications climbed to $200 million a month. "After talking with our lenders, we discovered the percentage of closings from online applications is close to the rate from more traditional channels, which I believe is about 10 percent," Walker says.

After five months in business, LoopLender has begun closing its first deals.

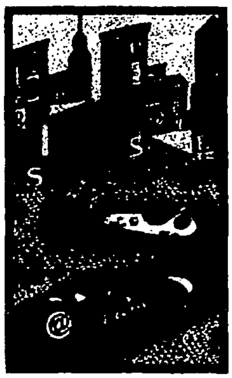
The structure at the C-LENDER.com Web site is simple. A potential client fills out a two-page questionnaire that asks such things as specific property type, location, size, occupancies, income, etc. From there, the site allows the potential client to search the database to find out which lender is interested in that type of property, based on the parameters entered. Then the person can submit to several lenders, which then quote a rate.

C-LENDER.com gives visitors to the site the ability to

CENTRAL PARK CAPITAL

Like other commercial real estate lenders, Central Park Capital LP, Atlanta, wrestled with the Internet conundrum. Is it a threat or an opportunity? And what sort of presence does the Internet require, if it requires one at all?

The commercial real estate lending industry really just joined the Internet world in 1999, as the first of the multilender Web sites were unveiled over the course of the year. Individual lenders, including commercial banks and mortgage bankers, also have a presence; however, some Web sites are merely billboards.



Central Park Capital, a wholly owned subsidiary of Univest Financial Group Inc., Atlanta, decided to offer nonrecourse, long-term, fixed-rate commercial real estate loans through its Web site, www.cenprkcap.com.

"We began to think about the Internet and have discussions concerning it beginning in the fall of 1998, but we didn't make a real serious effort to do online lending until early spring 1999. The Web site went up in August," says Joe Mosley, chief executive officer of Central Park Capital. "It is such a new area with commercial real estate, we don't have any real goals established as yet."

The most common approach taken by commercial real estate lenders continues to be a presence on one of the various multilender sites, but Central Park Capital wanted to create its own Internet identity and felt that on the multilender site the firm would be "blended in with others."

Since closing its first loan in March 1997, Central Park Capital has originated and closed more than 185 loans with an aggregate balance of more than $1 billion. In 1999, its loan volume was only about $300 million for the year. Admittedly, Mosley says, "it wasn't our best year." The move to the Internet wasn't coincidental to performance, neither will it simply be a better marketing approach. Central Park Capital intends to make it a profit source. "We are out to originate loans and make money on the Internet," Mosley says.

Www.cenprkcap.com focuses on what the company calls small loans in the $250,000 to $2 million range. The rationale for the loan balance limitation was that smaller products are simpler and therefore better suited to the Internet. Generally, there are fewer moving parts, less tenants and the real estate is the primary asset of the borrower. There was also another key reason for the decision: By keeping the loans under $2 million, Central Park Capital wouldn't cannibalize its relationships with mortgage bankers. "We didn't want the mortgage bankers to think we were competing with them," says Mosley.

Prospective borrowers have to supply a good deal of information on www.cenprkcap.com, but once they do, they can get a very realistic sizing of the loan, including a good indicative spread. Once the application is sent along electronically, a designated underwriter who reviews the Internet on a daily basis takes a look at the information. After going through a checklist, the underwriter sends an e-mail to the prospective borrower explaining what additional information may be needed, including supporting information. Once the underwriter is satisfied in the pre-due diligence period, the application is sent back to the borrower so it can be signed and returned with a deposit. After that, most of the back-end work is done in the traditional way, but the borrower is kept up-to-date on the status of the loan via the Internet.

Through November 1999, Central Park Capital hadn't yet closed on an Internet-originated loan, although Mosley says several were in process.

search for loans by type, interest rate preference, loan-to-value and other key factors. Or certain lenders can be directly targeted. Visitors can also find the on-site version of *Commercial Lender*.

While the primary focus of most other commercial real estate-lending Web sites is property owners, C-LENDER.com emphasizes mortgage brokers. Although property owners and developers are not excluded from the site, most of the traffic to C-LENDER.com is coming from mortgage brokers.

"In the commercial market, we think the mortgage broker is still going to be a vital component in securing funding for commercial transactions," says Walker. "The residential market is changing pretty quickly, and people are now going onto these Web sites and submitting their loan request. The commercial market is so much more complex. For a partially completed mall in central California, it is much more difficult for the property owners to figure out which type of lender is going to want to do that deal, and to package that information correctly. So, we think brokers are still going to be heavily involved in the transaction."

REDBRICKS.COM

Redbricks.com was launched in November, billing itself as "the next generation of e-commerce for the commercial real estate industry." From its site, property owners can access multiple lenders that will originate and process real estate loans online. Borrowers can visit the site 24 hours a day, seven days a week, to see exactly where they are in the process.

Visitors to Redbricks.com can receive real-time, instant preliminary quotes and current pricing, submit loan applications electronically and manage loan applications from origination to closing. The site also offers ancillary services such as news

(it has links to a news feed), employment listings, market data (14 current interest rates that are published on site) and links with many major trade associations. It can produce property-specific market reports and location maps.

For the lending activity, Redbricks.com was able to initially bring on board 21 lenders, including L.J. Melody & Co., as well as players such as Fannie Mae and Freddie Mac.

"We decided early on that the transaction system would also link all the ancillary service providers that are involved in the due diligence process—so that bids, request for quotes, etc., could all be tracked and managed on the site," says RedBricks.com's Max. "Borrowers and lenders don't have to call each other up and ask, 'Is the appraisal done?,' "Did the title insurance get issued?' or 'Where is the environmental report?' Everybody is now linked on this system."

Eighteen of the largest service providers are on the site.

Redbricks.com is nothing if not ambitious, planning a whole slew of new services and products. "At the end of the day, we hope the building owners will be our customers—so part of our strategy is to take those properties that come through our site for financing and then to maintain those properties as our customer base by offering new services," says Max. "We also plan to streamline more the due diligence, underwriting and securitization process, and link the information we are providing closer to the time that the properties are put up for sale."

In addition to being the starting point for all commercial real estate business, Max envisions constructing an online sector community. "Real estate is all about relationships and the ability to share information. Imagine reading what other borrowers have to say about a specific lender before submitting an application," she says. "At Redbricks, you can."

COMPSCapital

As of mid-November, the COMPSCapital Web site was up, but the e-commerce platform wasn't yet functioning. "We will roll it out before the end of the year," says Herb Steele, a vice president with San Diego-based COMPS.COM, Inc., the parent company of COMPSCapital.

COMPS.COM got its start 17 years ago identifying and distributing information (price, condition of sale, comps, etc.) on residential properties after a transaction. About a year ago, COMPS.COM moved to full Internet delivery, and now it will offer three Internet strategies. The first is still the listing service, which now totals almost 8 million properties across the United States. Second, the company acquired RealBid LLC, which is what Steele calls a "broadcast" service where brokers can post properties for sale so the information can be sent to about 500 investors on any given broadcast. The third strategy involves financing and the development of COMPSCapital.

The COMPSCapital site provides borrowers or their agents with an e-commerce platform for access to a comprehensive database of commercial real estate lenders. Potential clients can search for loan programs that match their loan requirements, then select the best available program and submit a loan request. Lenders can specify current program guidelines and pricing to ensure that loan requests meet their current lending criteria, easily qualify loan requests as they are submitted and process a borrower's request without undue delay.

COMPSCapital has initially signed up about a dozen lenders to be part of its service base, according to Steele. "There are a good number of lenders out there that are much more ready to adopt the Internet than we first expected would be the case," says Steele.

A lot of those lenders have already created relationships with other e-commerce mortgage companies. How does COMPSCapital hope to compete?

"In contrast to the other e-commerce companies in this field, we have a listing service—and probably between it and RealBid, we have better than $10 billion in properties that are available for sale," says Steele. "So we are able to supply lenders in the marketplace with information that others are not able to supply."

Given the market's size, there is room for all the current online mortgage companies, says Steele.

Given the market's size, there is room for all the current online mortgage companies, says Steele. "We are all operating a little different model, and there is room for all of us to grow." At this point, there's uncertainty about the degree to which the industry will adopt the Internet. So Steele expects business volume will be small for all the online competitors at the start—"but we have exceptional opportunities to grow," he says.

Going forward

The Internet will eventually cause dislocations in the commercial real estate industry, and undoubtedly, many of today's players won't survive the turmoil.

"Intermediaries who are able to adapt to the technology and leverage the capabilities of the technology successfully will be able to do more volume and work more efficiently," says Max. "Others will have to figure [out] a role where they can add value, and over time some of the smaller players in the market will have a harder time competing as these new distribution channels open up."

The future of commercial real estate lending on the Internet? "It's going to become more interactive. And it's going to have to be much more than just a matching service," says LoopLender's Gough. "As to the level of activity, 20 percent to 25 percent of mortgage originations will happen online." **MB**

Steve Bergsman is a freelance writer based in Mesa, Arizona.

THE PATH TO AN E-MORTGAGE IS STREWN WITH USEFUL DATA AND A FEW OBSTACLES; [SOONER Edition]

KAREN HUBE, THE WALL STREET JOURNAL. **Pittsburgh Post - Gazette**. Pittsburgh, Pa.: May 10, 1999. pg. C.7

» **Jump to full text**

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Abstract (Article Summary)

"I filled out two **online** applications and never heard back from the lenders," says [Mark] Stailey, president and chief operating officer of Insmark Inc., a financial software-marketing firm. He finally resorted to calling and using a third lender whose deal he spotted **online**.

The **Internet** is revolutionizing mortgage shopping, enabling **borrowers** quickly to get an overview of the market and detailed information about rates, points, closing costs and monthly payments. "The good news is that these sites have demystified the whole mortgage process," says James Punishill, an analyst at Forrester Research in Boston.

Even the biggest **online** mortgage companies may not be problem- free. E-Loan, Dublin, Calif., among the most popular sites, recently included a $1,150 **title-insurance** fee in its estimated closing costs on a loan for a property in Michigan. But it turns out that in Michigan, the seller pays that fee, not the buyer.

Full Text (1012 words)

PERSONAL BUSINESS

When Mark Stailey decided to refinance his mortgage last year, he was amazed how easy it was to find competitive mortgage deals on the **Internet**.

Things fell apart, though, when the 35-year-old Danville, Calif., resident tried to apply **online** for the deals he found.

"I filled out two **online** applications and never heard back from the lenders," says Stailey, president and chief operating officer of Insmark Inc., a financial software-marketing firm. He finally resorted to calling and using a third lender whose deal he spotted **online**.

The **Internet** is revolutionizing mortgage shopping, enabling **borrowers** quickly to get an overview of the market and detailed information about rates, points, closing costs and monthly payments. "The good news is that these sites have demystified the whole mortgage process," says James Punishill, an analyst at Forrester Research in Boston.

But that doesn't mean getting your mortgage **online** is guaranteed to be easier or cheaper than dealing with a lender over the telephone or in person. **Online** surfers may encounter glitches or "bugs" in the programming that can result in trouble navigating through the **application** process or erroneous **loan** information.

Even the biggest **online** mortgage companies may not be problem- free. E-Loan, Dublin, Calif., among the most popular sites, recently included a $1,150 **title-insurance** fee in its estimated closing costs on a loan for a property in Michigan. But it turns out that in Michigan, the seller pays that fee, not the buyer.

And when it comes to finding the best deal, "the **Internet** is not necessarily a panacea for pricing," says Keith Gumbinger, vice president of HSH Associates, a Butler, N.J., mortgage-tracking service. You might find a better deal at your local bank, "and then again, you might not," he says.

Just making comparisons may not be as simple as it seems. Recently, for instance, someone wanting to borrow $240,000 to purchase a $300,000 home in Michigan could have gotten the same rate through E-Loan and a traditional mortgage broker. Both E-Loan and Home Loan Specialists, Livonia, Mich., owned by Lender Ltd., were quoting a rate of 6.875 percent with zero points for a 30-year-fixed- rate loan.

Home Loan Specialists seemed to have the edge, however, because E- Loan's estimated closing costs were listed as being significantly higher. But after taking into account the $1,150 fee that E-Loan erroneously included in its estimate, the **online** company's closing costs were about $200 lower.

Some of the best **online** deals may be offered by a lender you have never heard of. "It's difficult to tell whether you're dealing with a small mom and pop operation or a hugely capitalized firm," says Gumbinger.

If you find an **online** deal you like, you can only get so far trying to point and click your way to a loan: After applying **online**, **borrowers** must conduct the rest of the process through the mail, over the phone or by fax.

Such problems, and consumers' hesitance to offer personal information about themselves **online**, accounts for the fact that fewer than 10 percent of **online** mortgage shoppers are actually applying for mortgage on the **Internet**. But some analysts say the market is poised to erupt: The volume of loans originated **online** is projected to explode to $250 billion by 2003 from $4 billion last year, according to a January study by Deutsche Bank Securities.

E-mortgage "companies are furtively working to fix problems," Punishill says. "The process will get better and better every year."

Some **online** sites, such as iQualify.com, owned by Finet Holdings Corp., an electronic-commerce company in Walnut Creek, Calif., have tried to simplify the application process by requiring fewer documents from the **borrower**. For example, says President Dan Rawitch, "We don't require tax returns."

Others are emphasizing customer service. Seattle-based Keystroke Financial, which owns the mortgage site Keystroke.com, launched a purely auto mated **online** process in 1995, but recently has added telephone assistance to shepherd consumers through the application process.

Yet others are trying to attract business by offering "gifts" to **borrowers** who secure a mortgage on their site. For example, Microsoft Corp.'s HomeAdvisor, at homeadviser.com, is giving desktop personal computers to the first 1,000 **borrowers** who close a loan for $250,000 or more. For smaller loans, the site is giving out 300 hand-held computers.

So far, most of the largest traditional mortgage lenders have been slow to develop their Web sites, says George Yacik, vice president of SMR Research Corp., Hackettstown, N.J. "Only one-third actually allow people to apply **online**," says Yacik.

Indeed, the **online** mortgage world is filled with names that most **borrowers** have probably never heard of or never associated with mortgages, such as ELoan, Mortgage.com, Intuit Inc.'s QuickenMortgage, iOwn.com (formerly HomeShark.com), Microsoft's HomeAdvisor, iQualify.com, Finet's Interloan.com and Mortgagebot.com., a unit of M & I Mortgage Corp.

Some, like Mortgage.com and Mortgagebot.com, are direct lenders, which means they underwrite loans themselves.

Others, such as Keystroke Financial and Interloan, are brokers. They troll for the best deal for consumers and process the applications.

Yet others are essentially referral services or matchmakers. They find a loan for a **borrower** and then step out of the process. Among these are Microsoft's HomeAdvisor and Finet's iQualify.com.

Then there are mortgage auction sites, such as the Lending Tree and Priceline, which solicit bids from lenders based on a consumer's profile.

Most sites charge a fee or a percentage of the loan when a **borrower** applies. Most, such as Quickenmortgage.com, which charges $250, say their fee is rebated at closing.

But, Gumbinger says, "Nobody in this world that I'm aware of is providing an absolutely free service."

He suggests that **borrowers** check out **online** services by getting "in touch with licensing authorities in (the service's) own state," or with the state mortgage or banking regulator. "Never send money or reveal any personal information about yourself before you understand the company," he says.

Additionally, be sure you understand what the Web sites are promising, he says. Some advertise "approval" within minutes, when in fact "approval in minutes probably has an arms-length list of conditions," says Gumbinger.

[Illustration]
DRAWING; Caption: DRAWING: Diane Juravich/Post-Gazette: (no capiton)

Article View

MORTGAGE APPLICATION DATA CAN BE SOLD TO HIGHEST BIDDER; [FINAL Edition]

KENNETH R. HARNEY. **Palm Beach Post**. West Palm Beach, Fla.: Jun 20, 1999. pg. 2.I

» **Jump to full text**

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Abstract (Article Summary)

What happens to your income disclosures, tax return data, bank account numbers and balances, employment history, credit-card payment histories and other confidential information once the loan goes to settlement? Who has access to it, and for how long? Can it be passed along or sold to telemarketers and database compilers?

Questions such as these are at the core of an important debate under way this month in Congress over your financial privacy rights. Though the issue on Capitol Hill is focused on what banks can or cannot do with your account information, the subject of **mortgage application** and payment data held by nonbank lenders or brokers is lurking just below the surface.

From your **application, loan** brokers or lenders know you intimately: How much you've made for the past couple of years, where you work, how frequently you've changed jobs, how much tax you've paid, your Social Security number, banking and credit-card account numbers and balances.

Full Text (808 words)

Have you ever wondered what happens to the highly personal information you're required to submit when you apply for a home mortgage?

What happens to your income disclosures, tax return data, bank account numbers and balances, employment history, credit-card payment histories and other confidential information once the loan goes to settlement? Who has access to it, and for how long? Can it be passed along or sold to telemarketers and database compilers?

Questions such as these are at the core of an important debate under way this month in Congress over your

financial privacy rights. Though the issue on Capitol Hill is focused on what banks can or cannot do with your account information, the subject of **mortgage application** and payment data held by nonbank lenders or brokers is lurking just below the surface.

That's because of all the disclosures most Americans ever render voluntarily, nothing is more intrusive and comprehensive than a **mortgage application**. It's the financial equivalent of a strip search.

From your **application, loan** brokers or lenders know you intimately: How much you've made for the past couple of years, where you work, how frequently you've changed jobs, how much tax you've paid, your Social Security number, banking and credit-card account numbers and balances.

A probing disclosure

For self-employed applicants, the disclosure is even more probing. Loan officers typically demand not only actual tax returns for the last couple of years, but the tax filings of your business and details about your major assets - stocks, real estate, partnerships.

But what happens to this extremely personal information that marketing experts consider the richest, most concentrated lode they can obtain on most consumers? You might be disturbed to learn that no federal statutes prevent mortgage brokers or independent mortgage companies from storing your income, employment or personal assets data electronically and selling it to anyone who wants it. This is true even for applications withdrawn or rejected.

As a practical matter, smallto medium-sized mortgage brokers or local lenders traditionally haven't harvested application data for sale to third-party marketers, according to mortgage industry experts, because of the costs and hassles of electronic imaging and storage that are necessary to do so.

But with more applications submitted electronically or via the **Internet**, the door is opening fast to cost-efficient harvesting, even by small-scale firms.

Sophisticated systems

Large mortgage companies, on the other hand, often have sophisticated systems to store and use every relevant bit of data about you from the **mortgage application** and subsequent monthly payment histories. The very largest in the field, such as Countrywide Home Loans and Norwest Mortgage Corp., not only use their computer databases to target-market other products they sell, but have strict privacy policies to control who gains access to your data.

California-based Countrywide, which originated $88 billion in new home mortgages last year, maintains a state-of-the-art, electronic data warehousing operation on its 2.2 million active customers. It also has adopted key internal policies on customer privacy, according to Andy Bielanski, the company's managing director for marketing: First, Countrywide does not provide its data to commercial interests outside the corporation. Second, it retains no application data from applicants who've been rejected or whose loans didn't go to closing. And finally, the firm offers every new loan customer the right to "opt out" - that is, to keep their personal data out of the reach of Countrywide affiliates.

Besides financial home mortgages, Countrywide affiliates sell mutual funds, life insurance, property and casualty insurance, home equity loans, **title insurance**, appraisal services and credit reports. By slicing and dicing its internal database, the firm can "identify which of our customers might be interested in a particular product or service," says Bielanski. The sales approach to customers can be "tightly controlled and customized" - typically through the monthly mortgage statement mailing rather than telemarketing.

Iowa-based Norwest Mortgage, the highest-volume home loan originator last year with $109 billion, also keeps its huge customer database under tight controls, and never sells information to third- party marketers, according to spokesman Dan Frahm. Some commercial banks, by contrast, routinely sell their account information to telemarketers, according to federal Comptroller of the Currency John D. Hawke Jr.

Bancorp shared card data

In a bellwether suit earlier this month, the Minnesota attorney general's office charged U.S. Bancorp with sharing customer credit- card account data with third-party telemarketers for commissions. U.S. Bancorp denied any wrongdoing. But the red-hot financial privacy controversy pushed giant Bank of America last week

to announce new policies prohibiting sharing of customer account information with virtually anyone outside the bank.

The upshot of all this for you as a home mortgage **borrower** or applicant? Ask prospective lenders about their privacy policies before submitting an application. Look for clear privacy statements on Web sites. And ask about "opt-out": If you don't like being pitched, yank your name out of the game.